

NEW ORLEANS REDEVELOPMENT AUTHORITY

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets December 31, 2011	11
Statement of Activities For the Year Ended December 31, 2011	13
FUND FINANCIAL STATEMENTS:	
Balance Sheet--Governmental Funds-December 31, 2011	14
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets of Governmental Activities December 31, 2011	16
Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds For the Year Ended December 31, 2011	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities For the Year Ended December 31, 2011	20
Statement of Net Assets--Proprietary Funds December 31, 2011	21
Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds For the Year Ended December 31, 2011	22
Statement of Cash Flows--Proprietary Funds For the Year Ended December 31, 2011	23

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
NOTES TO THE FINANCIAL STATEMENTS	24
SUPPLEMENTARY INFORMATION:	
Independent Auditors' Report on Supplementary Information	58
COMBINING FUND STATEMENTS	
EXHIBITS:	
A. Combining Balance Sheet--General Fund-December 31, 2011	59
B. Combining Statement of Revenues, Expenditures and Changes in Fund Balance--General Fund For the Year Ended December 31, 2011	60
C. Statement of Revenues, Expenditures and Changes in Fund Balance--General Fund--Budgeted and Actual--(Non-GAAP Budgetary Basis) For the Year Ended December 31, 2011	61
D. Statement of Revenues, Expenditures and Changes in Fund-- Balance--Budgeted and Actual--Blighted Properties Removal Program Fund--Annual (Non-GAAP Budgetary Basis) For the Year Ended December 31, 2011	62
E. Statement of Revenues, Expenditures and Changes in Fund-- Balance--Budgeted and Actual--Blighted Properties Removal Program Fund--Target Zone (Non-GAAP Budgetary Basis) For the Year Ended December 31, 2011	63
F. Statement of Revenues, Expenditures and Changes in Fund-- Balance--Budgeted and Actual--Neighborhood Stabilization Program 2 (Non-GAAP Budgetary Basis) For the Year Ended December 31, 2011	64

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
G. Statement of Revenues, Expenditures and Changes in Fund— Balance--Budgeted and Actual--Community Development Block Grant -Disaster Recovery - State of Louisiana (Non-GAAP Budgetary Basis) For the Year Ended December 31, 2011	65
H. Statement of Revenues, Expenditures and Changes in Fund— Balance--Budgeted and Actual--Community Development Block Grant -Disaster Recovery - City of New Orleans (Non-GAAP Budgetary Basis) For the Year Ended December 31, 2011	66
SCHEDULE I - Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2011	67
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	68
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	71
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011:	
Section I - Summary of Auditors' Results	75
Section II - Financial Statement Findings and Questioned Costs.....	77
Section III - Federal Award Findings and Questioned Costs	81
Section IV - Status of Prior Year's Findings and Questioned Costs.....	87
Section V - Status of Other Findings/Reviews	114
Section VI - Other Findings	117
EXIT CONFERENCE	124



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units information and the aggregate remaining funds of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2011, which collectively comprise **NORA's** basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of **NORA's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **NORA's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units information and the aggregate remaining funds of **NORA** as of December 31, 2011, and respective changes in financial positions and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2012, on our consideration of **NORA's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained instances of noncompliance.

The management's discussion and analysis on pages 3 through 10 and budgetary comparison information (Exhibits C, D, E, F, G and H) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2012

NEW ORLEANS REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This report offers readers of these financial statements an overview and analysis of the financial activities of **New Orleans Redevelopment Authority (NORA)** as of and for the years ended December 31, 2011 and 2010. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in **NORA's** financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on **NORA's** current year activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

NORA's assets exceeded its liabilities by \$382,503 and \$762,817 for the years ended 2011 and 2010.

NORA's total net assets decreased by \$380,314 in 2011 and \$589,551 in 2010. The decrease in net assets from 2010 is primarily related to \$333,733 in expenses not charged to grants and charged to the general fund based on the nature of the expenses and a restatement of net assets to record disallowed cost of \$59,649, net of equity transfer of \$12,672 resulting in a net adjustment of \$46,977. For the years ended December 31, 2011 and 2010, net revenues (expenses) were \$(298,040) and \$(215,824) for the governmental activities. Similarly, net revenues (expenses) for the business type activities were \$(22,625) in 2011 and \$(70,197) in 2010.

At December 31, 2011 and 2010, **NORA's** governmental funds reported combined fund balance (deficit) of \$(44,913) and \$310,823, respectively which reflects an decrease of \$355,736 to include the impact of prior period adjustment for 2011 and a decrease of \$130,713 in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

NORA's financial statements focus' on the government as a whole (government-wide), the major individual funds and the aggregate remaining funds. Both perspectives (government-wide, major fund and the aggregate remaining funds) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance **NORA's** accountability.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Management's Discussion and Analysis introduces **NORA's** basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. **NORA** also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements on pages 11 through 13 are designed to be similar to private-sector business. These statements combine **NORA's** current financial resources with capital assets and long-term obligations.

The Statement of Net Assets on pages 11 and 12 present information on all of **NORA's** assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of **NORA** is improving or deteriorating.

The Statement of Activities on page 13, presents information showing how **NORA's** assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e., earned but unused vacation leave result in cash flows for future periods). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by **NORA's** grant revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services.

The governmental activities reflect **NORA's** basic services including the rehabilitation and/or removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community. The business-type activities of **NORA** reflect the development of viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income.

These services are financed primarily with grants, proceeds from sales of inventory, debt and other charges.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. Within the basic financial statements, fund financial statements focus on **NORA's** most significant funds rather than **NORA** as a whole. Major funds are separately reported while others are combined into a single, aggregated presentation.

NORA's funds can be divided into two categories: governmental funds and proprietary funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. **NORA's** governmental funds on pages 14 through 20 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating **NORA's** current financing requirements.

Proprietary funds on pages 21 through 23 provide the same type of information as the government-wide financial statements, only in more detail for the major enterprise funds. Individual fund information for non-major enterprise funds is found in the combining statements in a later section of this report.

The governmental major funds total column requires reconciling because of the different measurement focus which is reflected on the page following each statement. The reconciliation incorporates long-term obligations and capital assets, as applicable into the government-wide statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 24 through 57 of the accompanying audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages 59 through 66 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of NORA as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of **NORA** as a whole.

STATEMENT OF NET ASSETS COMPARATIVE DATA

	<u>December 31,</u>		Amount of Change
	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Current assets	\$24,267,093	\$20,126,702	\$4,140,391
Capital assets	23,079	12,360	10,719
Loans receivable	<u>5,128,323</u>	<u>2,974,277</u>	<u>2,154,046</u>
Total assets	<u>29,418,495</u>	<u>23,113,339</u>	<u>6,305,156</u>
Current liabilities	21,160,887	17,645,949	3,514,938
Noncurrent liabilities	<u>7,875,105</u>	<u>4,704,573</u>	<u>3,170,532</u>
Total liabilities	<u>29,035,992</u>	<u>22,350,522</u>	<u>6,685,470</u>
Net Assets:			
Invested in capital assets	23,079	12,360	10,719
Unrestricted	<u>359,424</u>	<u>750,457</u>	<u>(391,033)</u>
Net assets	<u>\$ 382,503</u>	<u>\$ 762,817</u>	<u>\$ (380,314)</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

NORA's net assets at December 31, 2011 and 2010 were \$382,503 and \$762,817. Of these amounts, \$23,079 represent the amount invested in capital assets in 2011 and \$12,360 in 2010. The remaining \$359,424 for 2011 and \$750,457 for 2010 are unrestricted.

The decrease in net assets from 2010 to 2011 was primarily due to charges to net assets for costs not covered by grant sources.

From 2009 to 2010, the change in net assets was primary caused by a reclassification of grant funded property to deferred revenues and charges to reserves for costs not covered by grant sources.

Current assets increased by 21% from \$20,126,702 in 2010 to \$24,267,093 in 2011. The increase in current assets relate to a 79% increase in grants receivable and a 1% increase in the acquisition of land and structures. For 2010, the decrease resulted from sales of blighted properties from governmental entities. These activities were funded to redevelop property in New Orleans in a post-storm era. Further, these properties are disposed of through various development mechanisms with the income returned to the appropriate governmental entity.

Current liabilities increased from \$17,645,949 in 2010 to \$22,160,887 in 2011. **NORA** has recorded the associated liabilities with property donated and those acquired with grant funding. There are no agreements in place at this time that allow **NORA** to reuse the proceeds from the sale of the associated properties.

Also, at December 31, 2011 noncurrent liabilities increased by \$2,170,532 primarily due to loans to various consortium partners.

NORA's major source of program revenues totaling \$16,967,744 and \$7,560,564 for the years ended December 31, 2011 and 2010, represent grants and/or subsidies from governmental entities. In 2011 and 2010 grants were received from other organizations including Prudential, The Rockefeller Foundation, Greater New Orleans Foundation, Community Revitalization Fund and the Louisiana Disaster Recovery Foundation. Of the program revenues amount, \$16,967,744 and \$7,560,564 in 2011 and 2010 are included in the governmental fund. **NORA's** proprietary funds' revenue resulted from the sales of inventory in the amount of \$80,445 in 2011 and \$145,200 in 2010. **NORA's** major source of general revenues came as a result of interest income on cash investments and program income.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Program expenses totaled \$18,582,975 for the governmental and \$103,070 for the business-type activities for 2011. In 2010, program expenses totaled \$7,819,112 and \$215,397, respectively. The increase in governmental activities during 2011 is the result of the level of funding provided through the Neighborhood Stabilization Program 2 to fight blight and redevelop targeted areas of the City.

The major components of program expenses for 2011 and 2010 were related to salaries and related fringe benefits, purchase or investment in the development of property in New Orleans and other contractual services related to property acquisition.

**STATEMENT OF ACTIVITIES COMPARATIVE DATA
FOR THE YEAR ENDED**

	<u>December 31,</u>		Amount of Change
	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Program Revenues:			
Operating grants and contributions	\$16,967,744	\$7,560,564	\$ 9,407,180
Charges for services	1,126,847	-0-	1,126,847
Sales of inventory	<u>80,445</u>	<u>145,200</u>	<u>(64,755)</u>
	<u>18,175,036</u>	<u>7,705,764</u>	<u>10,469,272</u>
General Revenues:			
Interest income	49,555	42,724	6,831
Other income	<u>140,789</u>	<u>-0-</u>	<u>140,789</u>
	<u>190,344</u>	<u>42,724</u>	<u>147,620</u>
Expenses:			
General Expenses	<u>18,686,045</u>	<u>8,034,509</u>	<u>10,651,536</u>
Change in net assets	(320,665)	(286,021)	\$ <u>(34,644)</u>
Net assets, beginning of year, as restated	<u>703,168</u>	<u>1,048,838</u>	
Net assets, end of year	<u>\$ 382,503</u>	<u>\$ 762,817</u>	

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Analysis of NORA's Funds

Governmental Funds: As discussed, the focus of **NORA's** governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing **NORA's** financing requirements. In particular, unreserved fund balance may serve as a useful measure of **NORA's** net resources available for spending at the end of the year.

At December 31, 2011 and 2010, **NORA's** governmental funds reported combined fund balance (deficit) of \$(190,587) and \$154,430.

Major Governmental Funds: The general fund is the chief operating fund of **NORA**. At December 31, 2011 and 2010, unassigned fund balance (deficit) of the general fund were \$(44,913) and \$310,823, respectively.

The Blighted Properties Removal Program Fund receives funding under contract with the City of New Orleans to provide rehabilitation, clearance and redevelopment of slums in blighted areas of the City of New Orleans. The fund balance always reflects a zero balance as this fund operates on a cost-reimbursement basis.

Proprietary Funds: The focus of **NORA's** proprietary funds is to provide the same type of information found in the government-wide financial statements, but in more detail.

Major Proprietary Funds: Unrestricted net assets at December 31, 2011 and 2010 amounted to \$573,090 and \$608,387, a decrease of \$35,297 and \$302,445 respectively for each year.

General Fund Budgetary Highlights

The Blighted Properties Removal Program Fund's annual program grants' original budgets for the fiscal years 2011 and 2010 were \$2,900,000 and \$3,000,000, respectively.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Capital Asset and Debt Administration

At December 31, 2011 and 2010, **NORA** had \$23,079 and \$12,360 in invested in capital assets consisting principally of land. See page 45 for detail composition of capital assets.

Economic Factors and Next Year's Budget and Rates

NORA's budget for 2012 covers multiple years. Those sources include:

- o \$28.3 million from the Neighborhood Stabilization 2 (NSP2) program. NSP2 is a 3 year grant that **NORA** secured with other partner agencies. **NORA** is the lead agency with primary responsibility for the consortium group.
- o \$1.0 million funded from the Consolidated Appropriations Act for fiscal year 2012 to assist with blight remediation programs.
- o 1.5 million FEMA funding for a study, environmental assessment, design and permitting for a storm water mitigation/drainage upgrade project in the "Gentilly" area. The funding is for PHASE 1 of the proposed project. Based upon the results of the study and required assessments, an additional \$13.5M in funding will be approved.
- o Multi Party Cooperative Endeavor Agreement for \$9.4M to assist in the rebuilding and recovery of the Parish of Orleans from damages suffered as the result of Hurricane Katrina and Rita.

Although **NORA** has a significant budget for 2012, there are still challenges that **NORA** must overcome. Primarily, all of the funding anticipated is on a cost reimbursement basis; hence the need to seek a line of credit to pay vendors timely.

Requests for Information

The report is designed to provide a general overview of **NORA's** finances for all those that are interested in **NORA's** finances. Any questions concerning any of the enclosed information in this report and/or requests for additional information should be addressed to the Executive Director, New Orleans Redevelopment Authority, 1409 Oretha Castle Blvd., New Orleans, Louisiana 70113.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>ASSETS</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Unit</u>	<u>Component Units</u>
Current Assets:				
Cash (NOTE 4)	\$ 956,604	\$ 107,260	\$ 1,063,864	\$244,978
Amounts receivable (NOTE 17)	182,976	-0-	182,976	10,288
Grants receivable (NOTE 8)	7,184,249	-0-	7,184,249	133,435
Accrued interest receivable	121,681	-0-	121,681	1,131
Advance	40,000	-0-	40,000	-0-
Prepaid items and other assets (NOTE 20)	2,759	302,231	304,990	-0-
Land, unimproved land and structures (NOTE 6)	12,384,262	784,520	13,168,782	461,400
Investments (NOTES 19 and 21)	763,683	-0-	763,683	-0-
Current portion of loans receivable (NOTE 25)	1,000,000	-0-	1,000,000	-0-
Due from other funds, net	<u>436,868</u>	<u>-0-</u>	<u>436,868</u>	<u>-0-</u>
Total current assets	<u>23,073,082</u>	<u>1,194,011</u>	<u>24,267,093</u>	<u>851,232</u>
Noncurrent assets:				
Capital assets, net (NOTE 5)	23,079	-0-	23,079	-0-
Loans receivable (NOTE 25)	<u>5,128,323</u>	<u>-0-</u>	<u>5,128,323</u>	<u>-0-</u>
Total noncurrent assets	<u>5,151,402</u>	<u>-0-</u>	<u>5,151,402</u>	<u>-0-</u>
Total assets	<u>28,224,484</u>	<u>1,194,011</u>	<u>29,418,495</u>	<u>851,232</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS, CONTINUED
DECEMBER 31, 2011

LIABILITIES AND NET ASSETS (DEFICIT)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Unit</u>	<u>Component Units</u>
Current liabilities:				
Amounts payable - vendors	\$ 5,955,704	\$ 69,845	\$ 6,025,549	\$136,435
Amounts payable - State of Louisiana	5,324,600	-0-	5,324,600	-0-
Accrued salaries, taxes and other withholdings payable	92,794	-0-	92,794	-0-
Deposits held for buyers (NOTE 15)	54,143	114,208	168,351	14,131
Deferred revenues (NOTE 23)	8,736,178	-0-	8,736,178	-0-
Due to other funds, net	-0-	436,868	436,868	10,799
Due to other government	256,993	-0-	256,993	28,866
Compensated absences payable (NOTE 14)	119,554	-0-	119,554	-0-
Advances from AFLCIO Investment Trust	-0-	-0-	-0-	59,849
Current portion of revolving loans (NOTE 26)	1,000,000	-0-	1,000,000	-0-
Total current liabilities	<u>21,539,966</u>	<u>620,921</u>	<u>22,160,887</u>	<u>250,080</u>
Noncurrent liabilities:				
Line-of-credit (NOTE 18)	1,044,656	-0-	1,044,656	-0-
Recoverable grants payable (NOTES 19 and 21)	1,500,000	-0-	1,500,000	-0-
Compensated absences payable (NOTE 14)	24,063	-0-	24,063	-0-
Unfunded other post employment liability (NOTE 3)	156,393	-0-	156,393	-0-
Revolving loans (NOTE 26)	4,149,993	-0-	4,149,993	-0-
Total noncurrent liabilities	<u>6,875,105</u>	<u>-0-</u>	<u>6,875,105</u>	<u>-0-</u>
Total liabilities	<u>28,415,071</u>	<u>620,921</u>	<u>29,035,992</u>	<u>250,080</u>
Net Assets (deficit):				
Invested in capital assets, net (NOTE 6)	23,079	-0-	23,079	-0-
Unrestricted	(213,666)	573,090	359,424	(70,197)
Restricted (NOTE 28)	-0-	-0-	-0-	671,349
Total net assets (deficit)	<u>\$ (190,587)</u>	<u>\$573,090</u>	<u>\$ 382,503</u>	<u>\$601,152</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS			Total Primary Unit	Component Units
	Expenses	Charges for Services	Grants/ Contributions	Governmental Activities	Business Type Activities			
Governmental Activities:								
Blighted Properties Removal Program:								
Community Development Block Grant:								
Annual	\$1,296,985	\$ -	\$1,296,985	\$ -	\$ -	\$ -	\$ -	\$ -
Disaster	688,731	-0-	622,797	(65,934)	-0-	(65,934)	-0-	-0-
Target Zone	315,049	-0-	256,432	(58,617)	-0-	(58,617)	-0-	-0-
UDAG	54,893	-0-	54,893	-0-	-0-	-0-	-0-	-0-
Expanded Quick Take	20,460	-0-	780	(19,680)	-0-	(19,680)	-0-	-0-
State of Louisiana	3,610,353	1,124,347	2,484,651	(1,355)	-0-	(1,355)	-0-	-0-
General Fund	326,305	2,500	18,983	(304,822)	-0-	(304,822)	-0-	-0-
Neighborhood Stabilization Program 2	12,116,534	-0-	12,119,825	3,291	-0-	3,291	-0-	-0-
Prudential	30,027	-0-	30,027	-0-	-0-	-0-	-0-	-0-
Other	75,338	-0-	75,338	-0-	-0-	-0-	-0-	-0-
HUD	48,300	-0-	7,033	(41,267)	-0-	(41,267)	-0-	-0-
Total governmental activities	\$18,582,975	\$1,126,847	\$16,967,744	(488,384)	-0-	(488,384)	-0-	-0-
Business-type Activities:								
Real Estate Acquisition and Land Banking Mechanism	\$ 103,070	\$ 80,445	\$ -	-0-	(22,625)	(22,625)	-0-	-0-
Total business-type activities	\$ 103,070	\$ 80,445	\$ -	-0-	(22,625)	(22,625)	-0-	-0-
Component Units:								
Building New Orleans CDE	\$ 120	\$ -	\$ -	-0-	-0-	-0-	(120)	(120)
NORA Community Capital, LLC	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
New Orleans Redevelopment Unlimited	170,988	6,824	213,035	-0-	-0-	-0-	48,871	48,871
Total component units	\$ 171,108	\$ 6,824	\$ 213,035	-0-	-0-	-0-	48,751	48,751
General Revenues:								
Interest income				49,555	-0-	49,555	84	84
Other revenue				99,522	-0-	99,522	-0-	-0-
Transfers in (out)				41,267	-0-	41,267	-0-	-0-
Total general revenues				190,344	-0-	190,344	84	84
Changes in net assets				(298,040)	(22,625)	(320,665)	48,835	48,835
Net assets, beginning of year				154,430	608,387	762,817	543,167	543,167
Prior period adjustment				(46,977)	(12,672)	(59,649)	9,150	9,150
Net assets, beginning of year, as restated (NOTE 7)				107,453	594,715	703,168	552,317	552,317
Net assets (deficit), end of year				\$ (190,587)	\$ 573,090	\$ 382,503	\$ 601,152	\$ 601,152

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

ASSETS

GOVERNMENTAL FUNDS

	General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	Nonmajor Governmental Funds	Total
Cash	\$ 575,159	\$ 61,468	\$ 112,275	\$ 203,079	\$ 333,317	\$ 12,946	\$ 1,298,244
Amounts receivable, net	125,010	16,533	-0-	-0-	40,385	1,048	182,976
Accrued interest receivable	13	121,668	-0-	-0-	-0-	-0-	121,681
Advance	40,000	-0-	-0-	-0-	-0-	-0-	40,000
Prepaid items and other assets	-0-	2,759	-0-	-0-	-0-	-0-	2,759
Grants receivable	-0-	1,465,867	659,142	1,024,971	3,811,469	79,183	7,040,632
Loans receivable, net	-0-	2,948,554	-0-	479,769	2,700,000	-0-	6,128,323
Due from other funds	3,985,791	874,663	-0-	-0-	-0-	41,570	4,902,024
Investments	763,683	-0-	-0-	-0-	-0-	-0-	763,683
Land, unimproved land and structures	12,360	-0-	5,324,600	-0-	-0-	-0-	5,336,960
Total assets	<u>\$5,502,016</u>	<u>\$5,491,512</u>	<u>\$6,096,017</u>	<u>\$1,707,819</u>	<u>\$6,885,171</u>	<u>\$134,747</u>	<u>\$25,817,282</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED
DECEMBER 31, 2011

LIABILITIES AND FUND BALANCES (DEFICITS)

	<u>GOVERNMENTAL FUNDS</u>							<u>Total</u>
	<u>General Fund</u>	<u>Blighted Properties Program Fund</u>	<u>Louisiana Land Trust Fund</u>	<u>Louisiana Recovery Authority Fund</u>	<u>Neighborhood Stabilization Program 2</u>	<u>Nonmajor Governmental Funds</u>		
Liabilities:								
Bank overdraft	\$ 341,640	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 341,640	
Advances--City of New Orleans	9,783	-0-	-0-	-0-	-0-	-0-	9,783	
Amounts payable - vendors	64,369	685,543	329,633	945,624	3,876,362	54,173	5,955,704	
Amounts payable - State of Louisiana	-0-	-0-	5,324,600	-0-	-0-	-0-	5,324,600	
Line-of-credit	1,044,656	-0-	-0-	-0-	-0-	-0-	1,044,656	
Due to other funds	2,390,007	1,083,861	393,257	273,469	246,846	77,716	4,465,156	
Salaries and related payroll taxes payable	-0-	43,417	15,984	8,957	21,578	2,858	92,794	
Deferred revenues	-0-	1,636,131	-0-	-0-	40,385	-0-	1,676,516	
Recoverable grants payable	1,500,000	-0-	-0-	-0-	-0-	-0-	1,500,000	
Due to the City of New Orleans	196,474	50,736	-0-	-0-	-0-	-0-	247,210	
Revolving loans	-0-	1,970,224	-0-	479,769	2,700,000	-0-	5,149,993	
Deposits held for buyers	-0-	21,600	32,543	-0-	-0-	-0-	54,143	
Total liabilities	5,546,929	5,491,512	6,096,017	1,707,819	6,885,171	134,747	25,862,195	
Fund balances (deficits):								
Unassigned	(57,273)	-0-	-0-	-0-	-0-	-0-	(57,273)	
Nonspendable	12,360	-0-	-0-	-0-	-0-	-0-	12,360	
Total fund balances (deficits)	(44,913)	-0-	-0-	-0-	-0-	-0-	(44,913)	
Total liabilities and fund balances (deficits)	\$5,502,016	\$5,491,512	\$6,096,017	\$1,707,819	\$6,885,171	\$134,747	\$25,817,282	

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Total fund balance (deficit) governmental fund	\$ (44,913)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	10,719
Long-term liabilities including compensated absences and post employment benefits are not due and payable in the current period and therefore not reported in the funds	<u>(156,393)</u>
Net assets of governmental activities	<u>\$ (190,587)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GOVERNMENTAL FUNDS						Total
	General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	Nonmajor Governmental Funds	
Revenues:							
Grants - State of Louisiana	\$ -0-	\$ -0-	\$ 829,075	\$ 1,598,129	\$ -0-	\$ -0-	\$ 2,427,204
Grants - City of New Orleans-Annual	-0-	1,267,228	-0-	-0-	-0-	-0-	1,267,228
Grants - City of New Orleans-Target	-0-	248,992	-0-	-0-	-0-	-0-	248,992
Grants - City of New Orleans-Disaster	-0-	606,856	-0-	-0-	-0-	-0-	606,856
Grants - City of New Orleans-UDAG	-0-	54,893	-0-	-0-	-0-	-0-	54,893
Grants - City of New Orleans EQT.	-0-	780	-0-	-0-	-0-	-0-	780
Grants - HUD	-0-	-0-	-0-	-0-	-0-	-0-	7,033
Grants - Neighborhood Stabilization Program 2	-0-	-0-	-0-	-0-	12,089,665	-0-	12,089,665
Grants - Prudential Foundation	9,905	30,027	-0-	-0-	-0-	-0-	39,932
Grants - other	-0-	-0-	-0-	-0-	-0-	72,466	72,466
Grants - Greater New Orleans Foundation	9,078	-0-	-0-	-0-	-0-	-0-	9,078
Interest income	2,874	25,723	-0-	-0-	-0-	-0-	28,597
Administrative fee	2,500	-0-	1,124,347	-0-	-0-	-0-	1,126,847
Program income	-0-	118,508	1,355	-0-	-0-	-0-	119,863
Support from	-0-	-0-	-0-	-0-	-0-	-0-	41,267
Other	617	-0-	-0-	-0-	-0-	-0-	617
Total revenues	<u>24,974</u>	<u>2,353,007</u>	<u>1,954,777</u>	<u>1,598,129</u>	<u>12,089,665</u>	<u>120,766</u>	<u>18,141,318</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

	GOVERNMENTAL FUNDS						Total
	General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	Nonmajor Governmental Funds	
Expenditures:							
Salaries and employee benefits	\$ 12,739	\$ 1,307,900	\$ 1,255,537	\$ 172,456	\$ 748,554	\$ 63,132	\$ 3,560,318
Convention and travel	228	4,818	674	29	139	16	5,904
Training	-0-	6,404	3,640	-0-	770	-0-	10,814
Repairs and maintenance	-0-	104,549	58,897	39	292	12	163,789
Contractual services	34,084	132,670	168,729	11,056	301,706	50,742	698,987
Land acquisitions	-0-	346,243	-0-	-0-	120,856	-0-	467,099
Construction & rehabilitation activities	-0-	226,281	-0-	1,401,681	-0-	-0-	1,627,962
Telephone	109	6,677	5,490	757	3,500	363	16,896
Demolition activities	-0-	-0-	-0-	-0-	62,299	-0-	62,299
Supplies	1,467	10,550	15,903	1,116	5,848	226	35,110
Automobile expenses	-0-	17,920	10,710	1,050	5,721	282	35,683
Postage and printing	34	7,543	12,128	719	4,207	350	24,981
Insurance	5	40,780	26,280	827	3,765	2,787	74,444
Interest expense and fees	217,317	25,723	-0-	-0-	-0-	14	243,054
Office furniture & equipment	9,260	15,345	43	1,201	4,114	-0-	29,963
Rent	893	65,472	85,082	7,197	36,420	2,842	197,906
Acquisitions/appraisal expense	375	34,125	310,150	-0-	1,725	-0-	346,375
Landbank	-0-	-0-	-0-	-0-	193,265	-0-	193,265
Abandoned and foreclosed	-0-	-0-	-0-	-0-	283,907	-0-	283,907
Construction activities on vacant land	-0-	-0-	-0-	-0-	10,312,575	-0-	10,312,575
Legal settlement	13,667	-0-	-0-	-0-	-0-	-0-	13,667
Support to other funds	41,267	-0-	-0-	-0-	-0-	-0-	41,267
Other	2,288	7	1,514	1	2	-0-	3,812
Total expenditures	<u>333,733</u>	<u>2,353,007</u>	<u>1,954,777</u>	<u>1,598,129</u>	<u>12,089,665</u>	<u>120,766</u>	<u>18,450,077</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

	GOVERNMENTAL FUNDS						Total
	General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2	Nonmajor Governmental Funds	
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (308,759)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (308,759)</u>
Changes in fund balances	<u>(308,759)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(308,759)</u>
Fund balances, beginning of year	310,823	-0-	-0-	-0-	-0-	-0-	310,823
Prior period adjustment	<u>(46,977)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(46,977)</u>
Fund balances, beginning of year, as restated	<u>263,846</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>263,846</u>
Fund balances (deficit), end of year	<u>\$ (44,913)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (44,913)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Change in fund balances	\$(308,759)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	<u>10,719</u>
Change in net assets for the governmental activities	<u>\$(298,040)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
DECEMBER 31, 2011

ASSETS

<u>Business-Type Activities – Enterprise Funds</u>				
	<u>Shelter Plus Care</u>	<u>Moderate Rehabilitation Program</u>	<u>Real Estate Acquisition And Land Banking Mechanism</u>	<u>Total</u>
Current Assets:				
Cash	\$ -0-	\$ -0-	\$ 107,260	\$ 107,260
Prepaid items and other assets	-0-	-0-	302,231	302,231
Unimproved land and structures	-0-	-0-	784,520	784,520
Due from other funds	<u>-0-</u>	<u>-0-</u>	<u>382,351</u>	<u>382,351</u>
Total current assets	<u>-0-</u>	<u>-0-</u>	<u>1,576,362</u>	<u>1,576,362</u>
Total assets	<u>-0-</u>	<u>-0-</u>	<u>1,576,362</u>	<u>1,576,362</u>

LIABILITIES AND NET ASSETS

Current Liabilities:				
Deposits held for buyers	-0-	-0-	114,208	114,208
Amounts and other payable	-0-	-0-	69,845	69,845
Due to other funds	<u>-0-</u>	<u>-0-</u>	<u>819,219</u>	<u>819,219</u>
Total current liabilities	<u>-0-</u>	<u>-0-</u>	<u>1,003,272</u>	<u>1,003,272</u>
Net Assets:				
Unrestricted net assets	<u>-0-</u>	<u>-0-</u>	<u>573,090</u>	<u>573,090</u>
Total net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 573,090</u>	<u>\$ 573,090</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities-Enterprise Funds</u>			
	<u>Shelter Plus Care</u>	<u>Moderate Rehabilitation Program</u>	<u>Real Estate Acquisition And Land Banking Mechanism</u>	<u>Total</u>
Operating Revenues:				
Sales of inventory	\$ -0-	\$ -0-	\$ 79,445	\$ 79,445
Administrative fee	<u>-0-</u>	<u>-0-</u>	<u>1,000</u>	<u>1,000</u>
Total operating revenues	<u>-0-</u>	<u>-0-</u>	<u>80,445</u>	<u>80,445</u>
Operating Expenses:				
Cost of inventory	-0-	-0-	83,152	83,152
Salaries and employee benefits	-0-	-0-	15,375	15,375
Repairs and maintenance	-0-	-0-	1	1
Contractual services	-0-	-0-	381	381
Supplies	-0-	-0-	346	346
Telephone	-0-	-0-	136	136
Automobile expenses	-0-	-0-	956	956
Postage and printing	-0-	-0-	67	67
Insurance	-0-	-0-	1,442	1,442
Interest expense	-0-	-0-	46	46
Rent	<u>-0-</u>	<u>-0-</u>	<u>1,168</u>	<u>1,168</u>
Total operating expenses	<u>-0-</u>	<u>-0-</u>	<u>103,070</u>	<u>103,070</u>
Operating loss	<u>-0-</u>	<u>-0-</u>	<u>(22,625)</u>	<u>(22,625)</u>
Changes in net assets	<u>-0-</u>	<u>-0-</u>	<u>(22,625)</u>	<u>(22,625)</u>
Net assets, beginning of year	12,501	171	595,715	608,387
Equity transfer	<u>(12,501)</u>	<u>(171)</u>	<u>-0-</u>	<u>(12,672)</u>
Total net assets, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$573,090</u>	<u>\$573,090</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flows Used by Operating Activities:	
Receipts from sales of inventory	\$ 80,445
Administrative fees	1,000
Advances from buyers	119,437
Purchase of inventory	(83,152)
Payment to employees	(15,375)
Payments to vendors	<u>(4,542)</u>
Net cash used in operating activities	<u>97,813</u>
Increase in cash	97,813
Cash, beginning of year	<u>9,447</u>
Cash, end of year	<u><u>\$107,260</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(22,625)
Equity transfer	(12,672)
Changes in assets and liabilities:	
Decrease in unimproved land inventory	144,666
Decrease in due from other funds	349,041
Increase in due to other	(678,945)
Decrease in prepaid items and other assets	199,681
Decrease in deposits held for buyers	92,515
Increase in amounts payable	27,360
Decrease in salaries and related taxes payable	(2,221)
Decrease in accrued interest receivable	13
Decrease in amounts receivable	<u>1,000</u>
Net cash used in operating activities	<u><u>\$ 97,813</u></u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and General Data:

Background

The **New Orleans Redevelopment Authority (NORA)** exists under the authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968. **NORA** was formulated as a program by the City of New Orleans for the utilization of appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the creation and organization of a community improvement agency; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans in accordance with community improvement plans or projects approved by the governing body of the City of New Orleans; to define the duties, liabilities, exemptions, authority and functions of such community improvement agency, including the acquisition of property by negotiation, gift or expropriation, the disposition of property by sale or lease, the issuance of bonds, borrowing of money and giving of security therefore and to allow bonds issued to be legal investments for banks and fiduciaries; to provide for notice and hearing; to authorize entering into agreements to secure Federal aid; to authorize public bodies to furnish funds, services, facilities and property in aid of community improvement projects and related activities hereunder; and to provide that securities issued and properties, while held by the **New Orleans Redevelopment Authority**, shall be exempt from taxation.

On July 7, 1994, the Louisiana Legislature passed Act No. 65 which amended Act No. 170 that created the **New Orleans Redevelopment Authority**. Act No. 65 effectively changed the name of the Community Improvement Agency to **New Orleans Redevelopment Authority**. In addition, the Board of Commissioners also adopted a resolution approving the name change.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General

As of December 31, 2011, **NORA** was primarily engaged in the following programs:

- Blighted Properties Removal Program
(Annual, Target Zone, Disaster, UDAG and Expanded Quick Take)
- Neighborhood Housing Improvement Fund
- Real Estate Acquisition and Land Banking Mechanism (REALM)
- Louisiana Recovery Authority
- Louisiana Land Trust
- Neighborhood Stabilization Program (NSP2)
- Affordable Housing Pilot Program (Katrina Cottages)
- Hazard Mitigation Grant Program
- HUD Choice - Neighborhood Initiative

New Orleans Redevelopment Authority under a contract with the City of New Orleans provides technical assistance in connection with the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large.

Further, through various grants and a cooperative agreement, **NORA** manages rehabilitation, demolition and removal activities through direct funding from Federal, State and private sources.

A brief description of each program follows:

- Blighted Properties Removal Program and Neighborhood Housing Improvement Fund

The Blighted Properties Removal Program and the Neighborhood Housing Improvement Fund are designed to provide for the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

- Blighted Properties Removal Program and Neighborhood Housing Improvement Fund, Continued

The program provides for technical assistance and/or financial assistance for rehabilitation, as may be available, to the existing property owner. The program is administered by NORA under contract with the City of New Orleans.

- Affordable Housing Pilot Program (AHPP)

The Louisiana Cottage Program is geared towards the construction of forty (40) housing units on NORA's controlled properties intended for home ownership units. Funding for the Program is made available under Federal Emergency Management Agency (FEMA).

- The Small Business Administration (SBA)

Funds for the program are used to leverage in the revitalization of severely blighted commercial corridors in New Orleans.

- Hazard Mitigation Grant Program (HMGP)

The HMGP provides grants to assist in the implementation of long-term hazard mitigation measures after a major disaster declaration.

- HUD- Choice Neighborhood Initiatives (HNI)

The HNI provides grants to transform distressed neighborhoods, public and assisted projects into viable and sustainable mixed-income neighborhoods by linking housing improvements with appropriate services such as, schools, public assets, transportation and access to jobs.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

- Real Estate Acquisition and Land Banking Mechanism (REALM)

The REALM program is designed to provide a mechanism for the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property to allow for a greater impact on blight and community redevelopment.

Under the REALM program, **NORA** works with other City agencies to acquire blighted properties in a strategic fashion and then bundles those properties for sale and/or donation.

- Louisiana Recovery Authority

The Louisiana Recovery Authority (LRA) program managed by **NORA** focuses on redevelopment through economic development efforts within the New Orleans area.

- Louisiana Land Trust

The Louisiana Land Trust's (LLT) mission is to finance, own, lease as lessee or lessor, sell, exchange, donate otherwise hold or transfer a property interest in housing stock damaged by Hurricane Katrina or Rita.

Pursuant to said mission, LLT has initiated transfer of properties through acts of donation, several pieces of damaged unimproved housing stock to **NORA** for sale.

- Neighborhood Stabilization Program (NSP2)

The NSP2 program managed by **NORA**, focuses on a comprehensive neighborhood development strategy to address the challenges of blight and vacancy throughout the City.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

General Fund

The general fund is used by **NORA** to account for all financial activities or resources that are not budgeted for in other funds.

Pursuant to the requirements of GASB Statement No. 54 (Fund Balance Reporting and Government Fund Type Definitions), fund balance is reported as nonspendable and unassigned. The nonspendable classification is associated with amounts considered nonspendable such as capital assets, prepaid assets, etc. The unassigned classification represents amounts not restricted or committed.

Financial Reporting Entity

NORA exists under the Authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968 and subsequently amended by Act No. 65, passed in 1994. **NORA** has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of New Orleans.

Government Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity"* established standards for defining and reporting on the financial entity.

GASB 14 and its related amendment GASB 39 indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Reporting Entity, Continued

NORA was established as a separate legal entity with a governing board which is separate and independent of any other governmental “reporting entity” as defined by GASB 14. Accordingly, management has concluded that **NORA** is a financial reporting entity within the meaning of the provisions of GASB 14.

Based on the requirements of GASB’s 14 and 39, **NORA** has included the following component units in the financial reporting entity:

NORA formed in 2004 a 501(c)(3) organization, **NORA Unlimited, Inc.** to utilize appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans to include, but not limited to community improvement plans or projects approved by the governing body of the City of New Orleans; and to acquire property by negotiation, or gift, and the disposition of property by sale, lease, or gift; and to own real estate, to buy or sell, develop or lease, and generally handle, movable and immovable property of every nature and kind.

Also, in 2005, **NORA** formed a limited liability company **NORA Community Capital, LLC** for the primary purpose of serving the low income communities and Orleans Parish; and providing investment capital to low income persons in Orleans Parish.

The component units financial statements have been included in **NORA**’s financial statements in a discrete presentation.

On January 10, 2007, **NORA** partnered with another entity and formed **Building New Orleans CDE, Inc.** a Delaware non-profit organization. The mission of **Building New Orleans, CDE, Inc.** is exclusively for charitable purposes to include lessening the burdens of government, and erection or maintenance of public buildings, monuments, or work, within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

Basis of Presentation

NORA's basic financial statements consist of the government-wide statements of the primary government and its component units and the fund financial statements (individual major fund and combined nonmajor fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of **NORA**. The effect of interfund activity has been removed from these statements.

NORA's statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who use or directly benefit from services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items are properly included among program revenues or reported instead as general revenues.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NORA reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Blighted Properties Program/Neighborhood Housing Improvement Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes regarding the rehabilitation and/or demolition and removal and gap financing of blight in the City of New Orleans.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

Louisiana Land Trust is used to account for the "Lot Next Door" activities and disposition of Land Trust property. Specifically the objective of the project is to facilitate the rehabilitation of blight in various neighborhoods in the City of New Orleans.

The Louisiana Recovery Program provides pass-through funding to other community based entities to facilitate address and rehabilitation projects in various communities within the City of New Orleans. In addition, these funds will also be utilized for a construction loan fund for contractor's restoring housing stock in the New Orleans area.

The Neighborhood Stabilization Program provides funding to consortium members in conjunction with existing resources and programs to address the challenges of blight and vacancy throughout the City of New Orleans.

NORA reports the following major proprietary fund:

The REALM Program accounts for activities related to the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated at the government-wide financial statements level.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a propriety fund's principal ongoing operations. The principal operating revenues of **NORA's** enterprise fund are charges to customers for services and sales of inventory of land. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the provisions of GASB 33 Standards (Accounting and Financial Reporting for Non-Exchange Transactions), **NORA** recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- **NORA** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenue and expenditures are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements, resources received prior to the satisfaction of the time requirement(s), are recorded by **NORA** as deferred revenue upon award.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash equivalents.

Loans Receivable

Loans receivable are recorded at the face value of the note at point of execution. The revolving loan program is used to support economic and rehabilitation development activities funded with CDBG, LRA and NSP2 grants. The interest rates on the loans range from zero to four (4) percent. Repayment range of the loans are required within established timelines.

NORA uses the allowance method (based on prior year's experience and analysis) to determine uncollectibility of loans receivable.

Capital Assets

Capital assets include, land and equipment and are recorded at cost when the individual cost exceeds \$500. When no historical records are available, land and equipment are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. In addition, costs associated with certain property acquired with CDBG funds received from the City of New Orleans and other sources are reflected as program costs to the respective programs. A property inventory is accounted for by the City of New Orleans for acquisition of non-expandable property that vest with the City of New Orleans.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not included in or capitalized in the proprietary fund. Equipment in the proprietary fund of **NORA** is recorded at cost.

Capital assets are depreciated in the proprietary fund of **NORA** using the straight-line method over a five (5) year estimated useful life. At December 31, 2011, equipment in the proprietary fund in an amount of \$-0- is fully depreciated.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Land, Unimproved Land and Structures

Land, unimproved land and structures are recorded at cost and represent cost incurred in the acquisition of blighted properties. Donated properties are also included at the estimated fair value at point of donation. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

Compensated Absences

NORA has adopted its own policies based on the Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Financial Instruments

NORA's policy generally is to use financial derivatives to manage exposure to fluctuations in interest rate. **NORA** does not hold or issue derivative financial instruments for trading purposes.

Gains and losses realized and premiums paid on interest rate hedges, are deferred and amortized to interest expense over the life of the underlying instrument.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Long-term Obligations

NORA reports its long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. All applicable premium and discount costs, as well as origination costs are deferred and amortized over the life of the obligations.

Budgetary Data

NORA does not formally adopt or utilize a budget for its General Fund. Budgetary data for its Blighted Properties Removal program is submitted to and approved annually by the applicable funding sources of **NORA**.

Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Also recorded as other assets are deposits held for buyers.

Deferred Revenues

Deferred revenues at the Government-Wide level, represent the cost of property acquired with grant funds. At the fund level, deferred revenues represent funds received for which grant requirements have to be satisfied.

NOTE 3 - Other Post-retirement Benefits:

In 2011, **NORA** provided benefit premiums to the State of Louisiana, Office of Group Benefits totaling \$10,582 for a retired employee. **NORA** will continue to provide health care and life insurance benefits for the retired employee.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

As further discussed in NOTE 10, **NORA** in February of 2008 terminated its participation in the defined benefit plan operated by Louisiana State Employees' Retirement System (LASERS) for all current employees except for the one retired employee who is grand-fathered into the LASERS plan. The termination included the refunding of all prior contributions made to the plan by current employees. **NORA's** contributions made to the plan during its years of participation, do not carryover with its termination.

Plan Description

Currently **NORA** provides other postemployment benefits for one (1) retired employee. This postemployment benefits plan, an agent multiple-employer defined benefit plan, provides the retiree with a choice of participating in one of four medical insurance plans, each with varying benefits: preferred provider organization (PPO), exclusive provider organization (EPO), managed care option (MCO), or health maintenance organization (HMO). LSA-R.S. 42:801 - 859 assigns the authority to establish benefit plans and premium rates and negotiate contracts to the Office of Group Benefits under the direction of the Commissioner of Administration. The Office of Group Benefits issues a separate financial report which may be obtained by contacting them at:

Office of Group Benefits
State of Louisiana
P. O. Box 44036
Baton Rouge, Louisiana 70804
Phone: (800) 215-1093
Website: www.groupbenefits.org

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Funding Policy

During 2011, **NORA** recognized the cost of providing these benefits (**NORA's** portion of premiums) as an expense when the benefit premiums were due and thus financed the cost of postemployment benefits on a pay-as-you-go basis. It implemented Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Statement 45). In 2011 **NORA's** portion of health care, and life insurance benefit premiums for its retired employee totaled \$10,582. **NORA** began the planning process of establishing a trust whose assets will be dedicated to providing other postemployment benefits to the retired employee and her beneficiary and which is legally protected from creditors. It is the intent of **NORA**, once the trust is established, to contribute its portion of postemployment benefits to the trust on a regular basis.

Required Contribution Rates

As determined by the Office of Group Benefits and approved by the Louisiana Legislature in 2007, the employer paid 75% of the premium cost for postemployment benefits for retired employees and their families, and the retirees paid 25% of the premium cost; monthly premium cost for retired employees ranged from \$139 for a single retiree in the HMO plan to \$482 for a family in the PPO plan.

NORA's annual medical and life postemployment benefits cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. **NORA's** annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liability (or funding excess) over a period of thirty (30) years for health and life insurance. The total annual required contributions for 2011 was \$3,237, none of which was funded because the trust had not been established.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Annual Other Postemployment Benefits Cost and Net
Postemployment Benefits Liability

The following table shows **NORA's** Annual Required Contribution and the Net Other Postemployment Benefits for 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Normal cost	\$ -0-	\$ -0-
30-year actuarial accrued liability amortization of medical and life insurance	<u>6,024</u>	<u>6,024</u>
Annual required contribution	<u>\$ 6,024</u>	<u>\$ 6,024</u>
Net OPEB obligation - January 1	\$ 70,188	\$ 70,188
Annual required amortization	6,024	6,024
Interest on net OPEB obligation	2,808	2,808
Adjustment to ARC	(4,059)	(4,059)
Age adjusted contribution	<u>(11,186)</u>	<u>(11,186)</u>
Net OPEB obligation - December 31	<u>\$ 63,775</u>	<u>\$ 63,775</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Annual Other Postemployment Benefits Cost and Net
Postemployment Benefits Liability, Continued

The following table shows **NORA's** annual other postemployment benefits cost, percentage of that cost contributed, and the net unfunded other postemployment benefits liability:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Postemployment</u> <u>Benefits Cost</u>	<u>Percentage of</u> <u>Annual Cost</u> <u>Contributed</u>	<u>Net Unfunded Other</u> <u>Postemployment</u> <u>Benefits Liability</u>
12/31/11	<u>\$ 4,773</u>	<u>234.4%</u>	<u>\$63,775</u>

Funded Status and Funding Progress

In 2011, **NORA** made no contributions to other postemployment benefits plan trust since such a trust had not been established; the plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of December 31, 2011, the most recent actuarial valuation, the actuarial accrued liability was \$156,393, which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of other postemployment plan benefits and expenses which is not provided by normal cost (i.e., the cost of the actuarial present value of other postemployment for the *retired* employee from her hire date through her date of retirement). Since the plan was not funded in 2011, the entire actuarial accrued liability of \$156,393 was unfunded.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for postemployment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) healthcare cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing costs between **NORA** and its plan member to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between **NORA** and plan member in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The amount of the current employer portion of the healthcare premiums for the retiree coverage has been used as the basis for calculating the actuarial present value of benefits to be paid.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Actuarial Cost Method

The annual required contribution is determined using the Unit Credit Cost method, a method under which the benefits of each individual in an actuarial valuation are allocated by a consistent formula to valuation years, and actuarial gains or losses reduce or increase the unfunded actuarial accrued liability as they occur. The employer portion of the premiums for retiree medical care in each future year is determined by projecting the current premium levels using the health care cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover rates.

Actuarial Value of Plan Assets

Since this is the first actuarial valuation, there are not any assets to be actuarially valued; however, it is anticipated that future valuations of actuarial assets will be based on Actuarial Standards Board Actuarial Standard of Practice Number 6, *Measuring Retiree Group Benefit Obligations*, which is applicable to postemployment benefits plans and generally requires valuing dedicated plan assets using a method that takes into account market value.

Turnover Rate

The standard turnover assumptions as defined by GASB 45 paragraph 35b is used.

Retirement Rate

The beneficiary retired prior to December 31, 2011.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Healthcare Cost Trend Rates

The expected rate of increase in healthcare insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services as published in *National Health Care Expenditures Projections: 2004 to 2013*, Table 3: National Health Expenditures Aggregate and Per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2005 by the Health Care Financing Administration. "State and Local" rates for 2006 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 4.7% for 2018 and later, as set forth below:

The healthcare cost rates are set forth below:

<u>Calendar Year</u>	<u>Health</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
2011	8.000%	8.000%	3.000%	3.000%
2012	7.800%	7.800%	3.000%	3.000%
2013	6.600%	6.600%	3.000%	3.000%
2014	5.800%	5.800%	3.000%	3.000%
2015	5.600%	5.600%	3.000%	3.000%
2016	5.600%	5.600%	3.000%	3.000%
2017	5.500%	5.500%	3.000%	3.000%
2018	4.700%	4.700%	3.000%	3.000%
and later	4.700%	4.700%	3.000%	3.000%

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Mortality Rate

The RP2000 Mortality Tables for Males and Females projected 10 years is used.

Investment Return Assumption (Discount Rate) and Inflation Rate

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on investments that are expected to be used to finance the payment of benefits. Since it is anticipated that the annual required contribution will be funded, a 5.5% annual investment return is assumed in the actuarial valuation. This is a conservative estimate of the expected long-term return of a balanced and conservative investment portfolio. An explicit rate of inflation is not included in either the investment return or the healthcare cost trend, but, rather, is implicitly included and is presumed to be the same for each.

Amortization Method and Period

The level dollar closed amortization method has been used. An amortization period of 30 years has been used for the medical benefits and 10 years for the life insurance benefits.

NOTE 4 - Cash:

At December 31, 2011 the carrying amount of **NORA's** deposits was \$1,063,864 and the cumulative bank balance was \$1,832,245. The cumulative collected bank balance is covered by federal depository insurance. Custodial credit risk, is the risk that in the event of a failure by the financial institution, **NORA's** deposits may not be returned to it. **NORA** has no deposit policy for custodial credit risk; however, at December 31, 2011, none of **NORA's** bank balances were exposed to custodial risk. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent. These securities are held by the fiscal agent bank in the name of **NORA**.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Capital Assets, Net:

As of December 31, 2011, capital assets consisted of the following:

	<u>Balance January 1, 2011</u>	<u>Addition</u>	<u>Balance December 31, 2011</u>
Land	\$ 12,360	\$ -0-	\$ 12,360
Equipment	<u>44,430</u>	<u>13,394</u>	<u>57,824</u>
Sub-total	56,790	13,394	70,184
Less: accumulated depreciation	<u>(44,430)</u>	<u>(2,675)</u>	<u>(47,105)</u>
Total	<u>\$ 12,360</u>	<u>\$10,719</u>	<u>\$ 23,079</u>

NOTE 6 - Land, Unimproved Land and Structures:

At December 31, 2011, **NORA's** land, unimproved land and structures consisted of costs associated with the acquisition of property by expropriation and held for resale and/or donation in accordance with **NORA's** goal to rehabilitate, clear, and redevelop slum and blighted areas.

At December 31, 2011, land, unimproved land and structures by activity follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance, January 1	\$11,865,415	\$ 929,186	\$12,794,601
Net change	<u>518,847</u>	<u>(144,666)</u>	<u>374,181</u>
Balance, December 31	<u>\$12,384,262</u>	<u>\$ 784,520</u>	<u>\$13,168,782</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Adjustments to Beginning Net Assets:

Adjustment to beginning net assets is to reflect the net impact of prior year's disallowed costs of \$59,649 and equity transfer of \$12,672.

NOTE 8 - Grants Receivable:

At December 31, 2011, grants receivable consisted of the following:

	Blighted Properties Program Fund	Neighborhood Stabilization Program 2	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Other Nonmajor Programs	Total
City of New Orleans	\$1,519,005	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$1,519,005
State of Louisiana	-0-	-0-	709,408	1,032,152	-0-	1,741,560
Neighborhood Stabilization Program 2	-0-	3,841,629	-0-	-0-	-0-	3,841,629
Other nonmajor program grantors	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>82,055</u>	<u>82,055</u>
Total programs	<u>\$1,519,005</u>	<u>\$3,841,629</u>	<u>\$709,408</u>	<u>\$1,032,152</u>	<u>\$82,055</u>	<u>\$7,184,249</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Leases:

NORA leases vehicles, equipment, and commercial office space under operating leases. On December 31, 2009, **NORA** executed a ten (10) year lease agreement for commercial office space effective July 1, 2012. The lease provides for a purchase option in the seventh year at the appraised value of the building. The lease expires on July 1, 2012 and subject to annual appropriations. Total cost of such leases was \$197,904 for the year ended December 31, 2011. The future minimum lease payments for leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 224,239
2013	213,699
2014	213,699
2015	176,667
2016	176,667
2017 - 2022	<u>1,413,331</u>
Total	<u>\$2,418,302</u>

NOTE 10 - Retirement System:

Plan Description

Currently, **NORA** participates in a defined contribution plan administered by a third-party administrator (Horne, LLP). The qualified, IRS 457(b), salary deferral plan was established May 1, 2008, for eligible employees of **NORA**. Plan provisions and contribution requirements are established or amended by **NORA's** Board of Commissioners. This plan provides that the employee may voluntarily contribute to the **NORA** plan, and **NORA** will match employee contributions up to 5% of the employees' annual salary. The **NORA** plan includes thirty-four (34) participants. For the year ended 2011, actual contributions by plan participants were \$272,104 with a \$116,789 match from **NORA**. Participants of the plan vest after two years of service. The 457(b) plan replaced the multi-employer defined benefit pension retirement plan operated by the State of Louisiana.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Retirement System, Continued:

Information on the plan can be obtained at the following address and contact number:

John Hancock
P. O. Box 600
Buffalo, NY 14201-0600
Telephone: (800) 333-0963

NOTE 11 - Risk Management:

NORA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **NORA** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 12 - Concentration of Credit Risk:

NORA receives primarily all of its revenues from the City of New Orleans, the State of Louisiana as a pass-through grant from the U.S. Department of Housing and Urban Development and directly from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from the City of New Orleans, the State and HUD falls below contract levels, **NORA's** operating results could be adversely affected.

NOTE 13 - Contingencies:

NORA is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to **NORA**. These examinations may result in required refunds by **NORA** to agencies and/or program beneficiaries.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Contingencies; Continued

NORA is named in various suits. It is Counsel's opinion at December 31, 2011 and June 28, 2012, that outcomes of these matters will not have an adverse effect on the financial condition of **NORA**. Accordingly, no provision has been made in the financial statements for these contingencies.

NOTE 14 - Compensated Absences Payable:

An analysis of compensated absences payable follows:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Beginning	\$ 92,528	\$ 7,958	\$ 100,486
Addition	132,645	17,543	150,188
Retirement	(105,619)	(1,438)	(107,057)
Ending	\$ <u>119,554</u>	\$ <u>24,063</u>	\$ <u>143,617</u>

Of the total non-current compensated absences payable at December 31, 2011 \$119,554 is due within one year of December 31, 2011.

NOTE 15 - Deposits Held for Buyers:

At December 31, 2011, **NORA** held deposits in the amount of \$168,351 on behalf of potential buyers participating in its REALM and Louisiana Land Trust (Lot Next Door) programs.

NOTE 16 - Per Diem for Board of Commissioners:

During the year ended December 31, 2011, no board member received per diem in his/her capacity as a Commissioner.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 17 - Amounts Receivable

At December 31, 2011, amounts receivable consisted of the following:

	<u>General Fund</u>	<u>Blighted Properties Program</u>	<u>Neighborhood Stabilization Program 2</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
City of New Orleans	\$ -0-	\$ 6,855	\$ -0-	\$ -0-	\$ 6,855
Building NOCDE	11,657	-0-	-0-	-0-	11,657
NORU	28,866	-0-	-0-	-0-	28,866
Other	<u>84,487</u>	<u>9,678</u>	<u>40,385</u>	<u>1,048</u>	<u>135,598</u>
Total	<u>\$125,010</u>	<u>\$16,533</u>	<u>\$40,385</u>	<u>\$1,048</u>	<u>\$182,976</u>

NOTE 18 - Line-of-Credit:

In May of 2008, **NORA's** board approved issuance of a line-of-credit (LOC) to provide financing for the acquisition of blighted, derelict, vacant and tax delinquent properties, as well as, the associated pre-acquisition costs. This LOC assists **NORA** in its primary mission of acquiring and bundling properties into clusters suitable for development and executing a plan to put the properties back into commerce for redevelopment. Also, the State Bond Commission approved a line of credit with Fannie Mae for \$2,000,000 with a 3-month London Interbank Offered Rate plus 225 basis points, adjusted quarterly and due on or before August 1, 2013.

At December 31, 2011, \$1,044,656 had been drawn against the LOC. The indebtedness is reported in the governmental activities.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 18 - Line-of-Credit, Continued:

Changes in the LOC for the year ended December 31, 2011 follows:

<u>Description</u>	<u>Balance</u> <u>January 1, 2011</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>December 31, 2011</u>	<u>Due Within</u> <u>One Year</u>
Line-of-Credit	<u>\$1,500,000</u>	<u>\$205,656</u>	<u>\$(661,000)</u>	<u>\$1,044,656</u>	<u>\$ -0-</u>

NOTE 19 - Recoverable Grants Payable:

At December 31, 2011, **NORA** is in receipt of recoverable grants as follows:

Ford Foundation	\$ 500,000
Gates Foundation	<u>1,000,000</u>
Total	<u>\$1,500,000</u>

The Ford Foundation grant in the amount of \$500,000, serves to provide collateral for a revolving line-of-credit that will supply capital for acquisition and resale of vacant and abandoned properties for effective reuse. The grant may also be used to repay outstanding senior debt obligations. The grant is available over a period of five (5) years with repayment of the grant amount of \$500,000 due in full on April 30, 2013.

At December 31, 2011, the cash from the grant was invested in a certificate of deposit. According to the terms of the grant agreement, the income from the investment will accrue to the investment account see NOTE 22.

Similarly, the Gates Foundation grant payable provides collateral for a revolving line-of-credit that will supply capital. The grant is also available over a period of five (5) years and payable in full on November 30, 2013.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 20 - Prepaid Items and Other Assets:

At December 31, 2011, prepaid items and other assets consisted of deposits on unimproved land and structures of \$304,990.

NOTE 21 - Investments:

At December 31, 2011 investments consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Certificate of Deposit	.25%	11/30/2012	\$500,000	\$500,000
Certificate of Deposit	2.02%	01/09/2013	<u>263,683</u>	<u>263,683</u>
Total			<u>\$763,683</u>	<u>\$763,683</u>

See NOTE 19 for additional discussion.

NOTE 22 - Financial Instruments:

During the year ended December 31, 2011, **NORA** executed an agreement with a bank to provide the use of financial derivatives to manage exposure to interest rate fluctuation risk. Also, **NORA** paid origination fees of \$60,000. The amount of the payment has not been capitalized for amortization in the accompanying financial statement because management considers the amount to be immaterial. At December 31, 2011, the transaction parameters and approximate market value follows:

Notional:	<u>\$4,000,000</u>
Effective Date:	10/14/2008
Maturity Date:	07/01/2013
Settlements:	Quarterly
Floating Rate Index:	Libor 3 M
Strike Rate:	6.75%
Approximate Market Value as of 12/31/11:	<u>\$ 83.</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 23 - Deferred Revenues:

At December 31, 2011, deferred revenues represent funds that **NORA** must satisfy grant conditions prior to the recognition of revenue. The City of New Orleans' awards represent the cost of property acquired with grant funds. A detail by funding source follows:

City of New Orleans	\$8,695,793
Neighborhood Stabilization Program 2	<u>40,385</u>
	<u>\$8,736,178</u>

NOTE 24 - Subsequent Events:

Subsequent to year-end, **NORA** has been awarded and received commitments from the City of New Orleans and other sources (both public and private) for funding.

NORA's new major sources of funding for 2012 consisted primarily of the following:

<i>City of New Orleans</i>	\$1.0M
Funding for administrative and program delivery costs acquisition and redevelopment for blight reduction and alternative land use.	

<i>Hazard Mitigation Grant Program</i> (through City of New Orleans)	\$1.5M
FEMA funding for a study, environmental assessment, design and permitting for a storm water mitigation/drainage upgrade project in the "Gentilly" Area. The funding is for PHASE 1 of the proposed project. Based upon the results of the study and required assessments, an additional \$13.5M in funding will be approved.	

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 24 - Subsequent Events:, Continued

Multi Party Cooperative Endeavor Agreement \$9.4M
(City of New Orleans, **NORA**, Louisiana Road Home Corporation d/b/a the Louisiana Land Trust (LLT) and the State of Louisiana, Division of Administration, Office Community Development (OCD))

The activities of this agreement are expected to assist in the rebuilding and recovery of the Parish of Orleans from damages suffered as the result of Hurricanes Katrina and Rita.

Also, see page 10 for additional discussion regarding **NORA's** funding for 2012.

NOTE 25 - Loans Receivable:

At December 31, 2011, loans receivable consisted of six (6) loans as follows:

Pontchartrain Park	
Community Development; 4% interest	
due in thirty-six months from	
July 1, 2009	\$ 750,000
Tulane Land Holdings; 0% interest	
due in full on November 18, 2016	750,000
St. Claude/St. Roch Revitalization LLC;	
1% interest due and payable beginning	
December 10, 2010 on account of all	
interest that shall have accrued on the Note	
from August 16, 2010 through and including	
November 30, 2010 and in arrears on the	
tenth (10 th) day of each month thereafter	
commencing January 10, 2011 for each prior	
month, with principal due on May 1, 2018	1,500,000

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 25 - Loans Receivable, Continued:

GCHP-MLK, Leverage Lender, LLC	
0.5% interest due March 31, 2011 until the option date. Beginning in the option date, interest will accrue at the prime rate plus 1% adjusted monthly. Interest due shall be paid monthly in arrears beginning in the first (1 st) day of the first (1 st) calendar month immediately preceding the option date and continuing on the first (1 st) day of each month thereafter until the loan is paid in full.	\$ 479,769
GCHP-MLK Leverage Lender, LLC	
0% principal and interest payments due from March 31, 2011 through March 31, 2047.	1,700,000
Redmellon, LLC	
0% interest due March 31, 2011 until the closing date. Original principal amount due on the closing date of March 31, 2012.	1,000,000
Less unamortized premium	<u>(51,446)</u>
Sub-total	<u>6,128,323</u>
Less: current year portion	<u>(1,000,000)</u>
	<u>\$ 5,128,323</u>

NOTE 26 - Revolving Loans:

Revolving loans at December 31, 2011, represents funds provided to **NORA** for revolving loans to entities aimed at the rehabilitation and redevelopment within the City of New Orleans. See NOTE 25 for additional discussion.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 27 - Related Party Transactions:

NORU paid fees in the amount of \$2,500 to **NORA** for the year ended December 31, 2011 in connection with the sale of real property.

Further, during the year ended December 31, 2011, **NORA** and NORU executed a contract for a construction project totaling \$750,000.

NOTE 28 - Restricted Net Assets:

Real property donated by **NORA** to its related party NORU is subject to specific future use and/or disposition pursuant to the requirements of CBDG funded activities.

NOTE 29 - Promissory Notes:

At December 31, 2011 **NORA** has executed, various promissory notes and Acts of Credit sale totaling \$369,720 at varying interest rates. These loans are subject to a waiver at the point of sale under the following conditions:

- (a) Purchaser sells the property to a purchaser with a family income which is less than or equal to 120% of the Area Median Income (AMI), calculated in accordance with 24 CFR Part 92.
- (b) The family income of the third party purchaser of the specific property is less than or equal to 120% of the Area Median Income (AMI), the Improvements on the property meet or exceed Builder's Challenge Standard, Enterprise Green Communities and **NORA's** Hazard Resilience Standards and have a HERS Index score of no greater than 70 or 50, as applicable. Improvements may also qualify if they are to meet comparable standards such as LEED or the National Home Builders.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 29 - Promissory Notes, Continued:

- (c) Purchaser has provided sufficient information to seller to determine that the requirements above have been satisfied, and that purchaser has met its obligations under this Act of Credit Sale, including without limitation, completion of the work.
- (d) Seller determines that the benefits to the third party purchaser are commensurate with the amount waived.

SUPPLEMENTARY INFORMATION

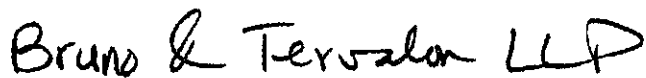
**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Our report on our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations"* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information (Exhibits A and B) which is prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2012

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET--GENERAL FUND
DECEMBER 31, 2011

	General <u>Fund</u>	Revolving <u>Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 575,159	\$ -0-	\$ 575,159
Advance	40,000	-0-	40,000
Amounts receivable	125,010	-0-	125,010
Due from other funds	3,240,193	745,598	3,985,791
Land and land improvements	12,360	-0-	12,360
Accrued interest receivable	13	-0-	13
Investments	<u>763,683</u>	<u>-0-</u>	<u>763,683</u>
Total assets	<u>\$4,756,418</u>	<u>\$745,598</u>	<u>\$5,502,016</u>
<u>LIABILITIES AND FUND BALANCE (DEFICIT)</u>			
Liabilities:			
Bank overdraft	\$ -0-	341,640	341,640
Amounts payable	63,792	577	64,369
Receivable grant	1,500,000	-0-	1,500,000
Line of credit	1,044,656	-0-	1,044,656
Advances-- City of New Orleans	9,783	-0-	9,783
Due to other funds	2,138,383	251,624	2,390,007
Due to City of New Orleans	<u>44,717</u>	<u>151,757</u>	<u>196,474</u>
Total liabilities	<u>4,801,331</u>	<u>745,598</u>	<u>5,546,929</u>
<u>Fund balance (deficit)</u>			
Unassigned	(57,273)	-0-	(57,273)
Nonspendable	<u>12,360</u>	<u>-0-</u>	<u>12,360</u>
Total fund balance (deficit)	<u>(44,913)</u>	<u>-0-</u>	<u>(44,913)</u>
Total liabilities and fund balances	<u>\$4,756,418</u>	<u>\$745,598</u>	<u>\$5,502,016</u>

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Total</u>
<u>Revenues</u>			
Interest income	\$ 2,874	\$ -0-	\$ 2,874
Other income	<u>22,100</u>	<u>-0-</u>	<u>22,100</u>
Total revenues	<u>24,974</u>	<u>-0-</u>	<u>24,974</u>
<u>Expenditures</u>			
Salaries and employee benefits	12,739	-0-	12,739
Convention and travel	228	-0-	228
Contractual services	34,084	-0-	34,084
Telephone	109	-0-	109
Supplies	1,467	-0-	1,467
Postage and printing	34	-0-	34
Insurance	5	-0-	5
Interest expense and fees	217,317	-0-	217,317
Office furniture and equipment	9,260	-0-	9,260
Rent	893	-0-	893
Acquisitions/appraisal expense	375	-0-	375
Legal settlement	13,667	-0-	13,667
Support to other funds	41,267	-0-	41,267
Other	<u>2,288</u>	<u>-0-</u>	<u>2,288</u>
Total expenditures	<u>333,733</u>	<u>-0-</u>	<u>333,733</u>
Operating loss	<u>(308,759)</u>	<u>-0-</u>	<u>(308,759)</u>
Change in fund balance	<u>(308,759)</u>	<u>-0-</u>	<u>(308,759)</u>
Fund balance, beginning of year	310,823	-0-	310,823
Prior period adjustment	(59,649)	-0-	(59,649)
Equity transfer in	<u>12,672</u>	<u>-0-</u>	<u>12,672</u>
Fund balance, beginning of year, as restated	<u>263,846</u>	<u>-0-</u>	<u>263,846</u>
Fund balance (deficit), end of year	\$ <u>(44,913)</u>	\$ <u>-0-</u>	\$ <u>(44,913)</u>

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND--
BUDGETED AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Other income	\$ 2,874	\$ 2,874	\$ -0-
Interest income	<u>22,100</u>	<u>22,100</u>	<u>-0-</u>
Total revenues	<u>24,974</u>	<u>24,974</u>	<u>-0-</u>
<u>Expenditures</u>			
Salaries and employee benefits	12,739	12,739	-0-
Convention and travel	-0-	228	(228)
Contractual services	-0-	34,084	(34,084)
Telephone	-0-	109	(109)
Supplies	-0-	1,467	(1,467)
Postage and printing	34	34	-0-
Insurance	5	5	-0-
Interest expense and fees	-0-	217,317	(217,317)
Office furniture and equipment	9,260	9,260	-0-
Rent	893	893	-0-
Acquisitions/appraisal expense	-0-	375	(375)
Legal settlement	-0-	13,667	(13,667)
Support to other funds	-0-	41,267	(14,267)
Other	<u>2,043</u>	<u>2,288</u>	<u>(245)</u>
Total expenditures	<u>24,974</u>	<u>333,733</u>	<u>(308,759)</u>
Excess (deficiency) of revenues over (under) expenditures before financing sources (uses)	<u>\$ 24,974</u>	<u>(308,759)</u>	<u>(308,759)</u>
Net change in fund balance		<u>(308,759)</u>	<u>\$(308,759)</u>
Fund balance, beginning of year, as restated		<u>263,846</u>	
Fund balance (deficit), end of year		<u>\$ (44,913)</u>	

See Independent Auditors' Report and Supplemental Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES REMOVAL PROGRAM FUND--ANNUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Final</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants	\$2,902,589	\$2,902,589	\$1,267,228	\$1,635,361
Total revenues	2,902,589	2,902,589	1,267,228	1,635,361
<u>Expenditures</u>				
Salaries and employee benefits	918,500	918,500	852,060	66,440
Contractual services	1,688,473	1,688,473	241,982	1,446,491
Equipment and property	279,758	279,958	166,287	113,671
Supplies and materials	15,658	15,658	6,899	8,759
Total expenditures	2,902,589	2,902,589	1,267,228	1,635,361
Net change in fund balance	\$ -0-	\$ -0-	-0-	\$ -0-
Fund balance, beginning of year			-0-	
Fund balance, end of year			\$ -0-	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES REMOVAL PROGRAM FUND—TARGET ZONE
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	\$446,820	\$999,950	\$ 307,609	\$ 692,341
Total revenues	446,820	999,950	307,609	692,341
<u>Expenditures</u>				
Salaries and employee benefits	60,298	235,293	125,041	110,252
Contractual services	140,329	340,532	43,792	296,740
Equipment and property	245,618	422,675	137,776	284,899
Supplies and materials	575	1,450	1,000	450
Total expenditures	446,820	999,950	307,609	692,341
Net change in fund balance	\$ -0-	\$ -0-	-0-	\$ -0-
Fund balance, beginning of year			-0-	
Fund balance, end of year			\$ -0-	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
NEIGHBORHOOD STABILIZATION PROGRAM 2
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants	<u>\$18,544,477</u>	<u>\$18,544,477</u>	<u>\$12,089,665</u>	<u>\$6,454,812</u>
Total revenues	<u>18,544,477</u>	<u>18,544,477</u>	<u>12,089,665</u>	<u>6,454,812</u>
<u>Expenditures</u>				
Eligible A (Administrative)	1,204,870	1,204,870	1,185,399	19,471
Eligible B (Abandoned foreclosed)	1,372,380	1,372,380	299,428	1,072,952
Eligible C (Landbank)	760,000	760,000	229,964	530,036
Eligible D (Demolitions)	1,310,561	1,310,561	62,299	1,248,262
Eligible E (Vacant)	<u>13,816,666</u>	<u>13,896,666</u>	<u>10,312,575</u>	<u>3,584,091</u>
Total expenditures	<u>18,544,477</u>	<u>18,544,477</u>	<u>12,089,665</u>	<u>6,454,812</u>
Change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
Fund balance, beginning of year			<u>-0-</u>	
Fund balance, end of year			<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY
STATE OF LOUISIANA
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Final</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants	<u>\$3,626,947</u>	<u>\$3,626,947</u>	<u>\$1,598,129</u>	<u>\$2,028,818</u>
Total revenues	<u>3,626,947</u>	<u>3,626,947</u>	<u>1,598,129</u>	<u>2,028,818</u>
<u>Expenditures</u>				
Construction lending	1,733,332	1,733,332	133,435	1,599,897
Oretha Castle Haley	1,333,332	1,333,332	1,268,246	45,086
Historic Property Rehab	303,308	303,308	-0-	303,308
Project Delivery cost	<u>256,975</u>	<u>256,975</u>	<u>196,448</u>	<u>60,527</u>
Total expenditures	<u>3,626,947</u>	<u>3,626,947</u>	<u>1,598,129</u>	<u>2,028,818</u>
Net change in fund balance	\$ <u>-0-</u>	\$ <u>-0-</u>	-0-	\$ <u>-0-</u>
Fund balance, beginning of year			-0-	
Fund balance, end of year			\$ <u>-0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY
CITY OF NEW ORLEANS
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Final</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants	<u>\$5,534,290</u>	<u>\$5,534,290</u>	<u>\$ 672,790</u>	<u>\$4,861,500</u>
Total revenues	<u>5,534,290</u>	<u>5,534,290</u>	<u>672,790</u>	<u>4,861,500</u>
<u>Expenditures</u>				
Commercial appraisals	500,000	500,000	26,400	473,600
Program delivery and administration	444,114	444,114	409,933	34,181
Gentilly Woods Mall	1,800,000	1,800,000	-0-	1,800,000
Lot Next Door Tech. Asst.	10,176	10,176	10,176	-0-
Oretha Castle Haley Corridor	2,383,000	2,383,000	226,281	2,156,719
Rehab Mitigation	97,000	97,000	-0-	97,000
St. Claude Corridor	<u>300,000</u>	<u>300,000</u>	<u>-0-</u>	<u>300,000</u>
Net change in fund balance	<u>\$5,534,290</u>	<u>\$5,534,290</u>	<u>672,790</u>	<u>\$4,861,500</u>
Fund balance, beginning of year			<u>-0-</u>	
Fund balance, end of year			<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Program Grantor/Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
Neighborhood Stabilization Program 2	14.256	\$12,116,534
Neighborhood Initiative Grant	14.251	<u>48,300</u>
Sub-total		<u>12,164,834</u>
<u>U.S. Small Business Administration:</u>		
Small Business Administration	59.xxx	<u>240</u>
Sub-total		<u>240</u>
<u>Federal Emergency Management Association:</u>		
Alternative Housing Pilot Program	97.087	<u>38,206</u>
Sub-total		<u>38,206</u>
<u>Pass Through CDBG Funds as Subgrantee of the City of New Orleans:</u>		
Blighted Properties Program - Annual	14.218	1,296,985
Blighted Properties Program - Target	14.218	315,049
Blighted Properties Program - Disaster	14.218	688,731
Blighted Properties Program - Expanded Quick Take	14.218	<u>20,460</u>
Sub-total pass through funds		<u>2,321,225</u>
<u>Pass Through UDAG Funds as Subgrantee of the City of New Orleans:</u>		
Blighted Properties Program Fund	14.221	<u>54,893</u>
Sub-total pass through funds		<u>54,893</u>
<u>Pass Through CDBG Funds as Subgrantee of the State of Louisiana:</u>		
Lot Next Door	14.218	2,005,043
Blighted Properties Program	14.228	1,605,310
Hazard Mitigation Program Grant	14.xxx	<u>36,892</u>
Sub-total pass through funds		<u>3,647,245</u>
Total all programs		<u>\$18,226,643</u>

NOTE:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of NORA and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with other requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

See Independent Auditors' Report on Supplementary Information.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units information, and the aggregate remaining funds of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of **NORA** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **NORA's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **NORA's** internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of **NORA's** internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed in the following paragraphs, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A significant deficiency is a deficiency or a combination of control deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2011-01 and 2011-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by **NORA** on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. Also, we noted other matters involving the internal control over financial reporting that we have reported to management of **NORA** in a separate letter dated June 28, 2012.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

NORA's response to the findings identified in our audit are described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". We did not audit NORA's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana and the City of New Orleans and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 28, 2012



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Compliance

We have audited the compliance of **New Orleans Redevelopment Authority (NORA)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **NORA's** major federal programs for the year ended December 31, 2011. **NORA's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **NORA's** management. Our responsibility is to express an opinion on **NORA's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Compliance, Continued

An audit includes examining, on a test basis, evidence about **NORA's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **NORA's** compliance with those requirements.

In our opinion, **NORA** complied, in all material respects, with the requirements previously referred to that are applicable to its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of non compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2011-03 and 2011-04.

Internal Control Over Compliance

Management of **NORA** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **NORA's** internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **NORA's** internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Internal Control Over Compliance, Continued

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in NORA's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses as defined in the subsequent paragraphs. However, as discussed in the next paragraphs, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in NORA's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-05 to be significant deficiencies.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected by NORA on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

NORA's response to the findings identified in our audit are described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". We did not audit NORA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana, and the City of New Orleans and is not intended to, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2012

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency (ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency (ies) identified? Yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Blighted Properties Program (Community Development Block Grant)
14.256	Neighborhood Stabilization Program 2
14.218	Blighted Properties Program (Community Development Block Grant) Annual, Target, Disaster and Expanded Quick Take
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2011-01

Federal Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

The requirements of the Neighborhood Stabilization Program 2 (NSP2) dictates earmarking goals for the purchase and redevelopment of abandoned or foreclosed houses or residential properties and administrative costs.

Condition

At December 31, 2011 **NORA** has developed for its NSP2 program, a tracking template in an excel software format that depicts information such as project category (B, C, E, etc.), budgeted amount, expended to date, monthly actual and projected expenditures, etc.

Further, management provided for our review, NSP2 project managers summary minutes dated June 19, 2012.

Also, an adjustment for \$1,700,000 was proposed to reflect a loan based on a response to our audit request for information from a consortium partner.

In addition, the accounting department proposed in connection with the audit, an adjustment in the amount of \$1,000,000.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-01

Context

Total expenditures for the year ended December 31, 2011 was \$12,116,534.

Effect or Potential Effect

Timely identification of potential challenges that may impact the accomplishment of planned activities.

Cause

Effective communication and coordination with all stakeholders to include a written strategy to align planned to actual activities.

Recommendation

Management should continue to enhance its current tracking data base and re-evaluate the need to re-align the level of communication and coordination with all stakeholders to minimize any absorption of cost by the General Fund and to ensure the timely and complete recordation of all activities. As the program approaches its completion date and coupled with the impact of program income, such enhancement to the current practice becomes imperative in order to ensure NORA's timely communication and coordination of events in response to any challenges to all stakeholders.

Management's Response and Planned Corrective Action Plan

Management currently performs continuous monitoring of the progress for the NSP2 program on a regular basis. Regular team meetings are held to discuss expenditure rates and partner performance. Action items are decided upon, and regular reports are generated and discussed in conjunction with the NSP 2 spend down update meetings, which include, program income, minutes, property sales, and expenditures. NORA will continue to enhance its tracking system to ensure a comprehensive data base is maintained, available and communicated to all stakeholders.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2011-02

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the requirements of OMB Circular A-87 cost principles for State, Local and Indian Tribal Governments, Governmental units claiming indirect cost under Federal Awards must prepare an indirect cost rate proposal.

Condition

During 2011, **NORA** submitted to HUD for its review and approval a Indirect Cost Rate Plan.

Currently, **NORA** has been granted an eighty (80) percent rate pending final approval of its cost rate plan. Further, **NORA** used for the year ended December 31, 2011, the provisional rate in the allocation of cost to all programs. At December 31, 2011 the remaining twenty (20) percent cost has not been billed.

Questioned Costs

None.

Context

Total unbilled cost at December 31, 2011 was \$797,477.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2011-02

Effect or Potential Effect

Potential financial impact of the unbilled cost.

Cause

Status of Indirect Rate Plan submitted to HUD.

Recommendation

Management should assess the potential financial impact of the unbilled cost.

Further, management should re-evaluate the base used in its cost allocation to ensure its maximum benefit to **NORA**. For example square footage should be considered in the allocation of occupancy.

Management's Response and Planned Corrective Action

Management is confident that the indirect cost rate proposal submitted to HUD for its review and approval provides maximum benefit to **NORA**.

Management considers the financial impact of the unbilled cost to be temporary until the final approval of the proposed indirect cost rate by HUD. The finances of **NORA** are continuously evaluated and monitored through the Finance Department, Finance Committee and Board of Commissioners.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

Section III - Federal Award Findings and Questioned Costs

Reference Number

2011-03

Federal Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR Sections 135.3(a), 135.90 and 570.487(d), the prime recipient must submit Form HUD 60002 for grants over \$200,000 that involve housing rehabilitation, construction or other public construction.

Condition

The Form HUD 60002, Section 3 report submitted for the year ended December 31, 2011 was incomplete in terms of all key line items. Subsequent to the receipt of the form filed by NORA's staff, we were provided with additional forms that appear to have been prepared by various consortium partners and developers. Again some of the individual reports provided to us were incomplete and not in accordance with the instructions for filing the report.

Questioned Costs

None.

Context

Total program expenditures incurred during the year ended December 31, 2011 were \$18,582,975.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-03

Effect or Potential Effect

Non compliance with the requirements of CFR 24 Section 135.3(a) et al regarding the complete filing of Form HUD 60002.

Cause

Misunderstanding of the filing requirements of the Form HUD 60002.

Recommendation

Staff should be provided with additional training on the complete preparation of the Form HUD 60002.

Management's Response and Planned Corrective Action

Management will ensure that staff is provided with additional training as needed to properly complete preparation of the Form HUD 60002.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-04

Federal Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **NORA** is responsible for ensuring the completeness of the Section 1512 ARRA financial and compliance reporting.

Condition

We were unable to agree the financial information (federal funds earned and costs incurred) as reported for the third quarter of 2011 under the requirements of Section 1512 ARRA grants to **NORA's** general ledger.

Questioned Costs

None.

Context

Total expenditures for the year ended December 31, 2011 were \$12,116,534.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-04

Effect or Potential Effect

Incompleteness of reported financial information to third parties.

Cause

Lack of an effective coordination between the Accounting and Program departments in the preparation of the report.

Recommendation

The financial aspect of all file reports should be reviewed and concurred to by the accounting department to ensure completeness and alignment with underlying records.

Management's Response and Planned Corrective Action

Management is currently revising its process for the preparation of the Section 1512 ARRA report to ensure coordination between contributing departments, completeness of financial and compliance reporting, and alignment with the supporting records.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2011-05

Federal Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

The requirements of the Neighborhood Stabilization Program 2 dictates earmarking goals for the purchase and redevelopment of abandoned or foreclosed houses or residential properties and administrative costs.

Condition

At December 31, 2011 **NORA** has developed for its NSP2 program, a tracking template in an excel software format that depicts information such as project category (B, C, E, etc.), budgeted amount, expended to date, actual and projected expenditures.

Further, management provided for our review, NSP2 project managers summary minutes dated June 19, 2012.

Also, an adjustment for \$1,700,000 was proposed to reflect a loan based on a response to our audit information from a partner.

The accounting department also proposed a client adjustment in the amount of \$1,000,000.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2011-05

Context

Total expenditures for the year ended December 31, 2011 was \$12,116,534.

Effect or Potential Effect

Timely identification of potential challenges that may impact the accomplishment of planned activities.

Cause

Effective communication and coordination with all shareholder to include a strategy to align planned to actual activities.

Recommendation

Management should continue to enhance its current tracking data base and re-evaluate the need to re-align the level of communication and coordinate with all shareholders to minimize any absorption of cost by the General Fund and to ensure the timely and complete recordation of all activities. As the program approaches its completion date and coupled with the impact of program income, such enhancement to the current practice becomes imperative in order to ensure NORA's timely communication and coordination to response to any challenges.

Management's Response and Corrective Action Plan

Management currently performs continuous monitoring of the progress for the NSP2 program on a regular basis. Regular team meetings are held to discuss expenditure rates and partner performance. Action items are decided upon, and regular reports are generated and discussed in conjunction with the NSP 2 spend down update meetings, which include, program income, minutes, property sales, and expenditures. NORA will continue to enhance it tracking system to ensure a comprehensive data base is maintained, available and communicated to all stakeholders.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Numbers

2010-01, 2010-05, 2009-01, 2009-07, 2008-01 and 2008-04

Condition

NORA continues to align its growth based on the level of resources managed with additional staffing, technology updates to include the development and updates to its accounting, human resources, and management policies and procedures.

As a part of its growth strategy, **NORA** should continue to enhance the level of supervisory oversight and coordination of the various organization functions to ensure the complete and accurate accounting for all financial transactions and also facilitate the effective and efficient monitoring of compliance with its program goals.

Recommendation

We recommended that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as **NORA** continues to expand its operations, greater emphasis should be placed on its accounting and financial reporting processes to include effective monitoring of compliance with all aspects of its grant management.

Also, the necessary updates to its financial and program policies and procedures should be evaluated to ensure continuous alignment with its growth.

Specifically, **NORA** should establish a policy regarding the complete preparation of its annual audited financial statements and related footnotes pursuant to the requirements of Statement of Auditing Standards 115.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2010-02 and 2010-06

Condition

Our review of **NORA's** internal control over its financial reporting revealed the following conditions:

- o In one (1) instance, we noted where a listed check signer is no longer employed by **NORA**.
- o A wire transfer transactions tested, revealed the lack of documented authorization by the designated staff; however, a supporting e-mail requesting the transfer of funds was attached.
- o A cash receipt totaling \$300 for payment toward property was receipted and deposited on August 31, 2010, but was not recorded in the August 2010 deposit detail. The amount was subsequently recorded in the September 2010 deposit detail.

We noted the lack of documented reconciliation of all cash receipt tickets issued for our test month August 2010, to the deposit detail. Further, we noted that the reconciliation of the receipt book was not a part of **NORA's** monthly reconciliation process.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2010-02 and 2010-06

Condition, Continued

- o A difference of \$1,245 was noted between the cash register balance dated August 31, 2010 on the bank reconciliation and the ending general ledger balance for the same test period. The difference is due to including two checks voided on August 17, 2010 (check numbers 14572 and 14590) as outstanding as of August 31, 2010.
- o Four (4) checks totaling \$4,684 violated NORA's stale dated check policy of one hundred and eighty (180) days outstanding. Three (3) of the four (4) totaling \$4,409 were more than two years outstanding.
- o Two (2) of twenty-nine (29) cash disbursement transactions tested were not supported with a vendor invoice.
- o One (1) of twenty-nine (29) cash disbursement transactions tested did not include an attached request for and authorization for payment.
- o Six (6) of the twenty-nine (29) cash disbursement transactions tested were not canceled or stamped "paid" to prevent future use.
- o One (1) of twenty-nine (29) cash disbursement transactions tested reflected no evidence of mathematical verification.
- o One (1) of twenty-nine (29) cash disbursement transactions tested revealed an instance where the invoice attached and request for payment lacked evidence of approval by the Department Director.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2010-02 and 2010-06

Condition, Continued

- o Our testing of credit card purchases revealed instances where receipts for the expenditures were missing invoices, not canceled to prevent future use, the business purpose was not identified, and the lack of evidence of management's approval for payment.
- o For payroll tested, we noted where the employer certification and signature section on one of four 1-9's was not completed.
- o We noted no approved overtime request for 2.5 hours of retroactive overtime paid during the pay period ended August 18, 2010.
- o The allocations of time charged for one (1) of five (5) timesheets tested reflected errors in amount allocated to the respective programs.

Recommendation

We recommended that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as **NORA** continues to expand its operations, greater emphasis should be placed on its program, accounting and financial reporting processes to include effective monitoring of compliance with all aspects of its grant management.

Also, the necessary updates to its financial and program policies and procedures should be evaluated to ensure continuous alignment with its growth and completeness.

Current Status

Partially resolved. See current year's other matters reference number OM 2011-04.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2010-03, 2010-07, 2009-02 and 2009-08

Federal Program

Blighted Properties Program (Louisiana Land Trust). (see Schedule of Expenditures of Federal Awards).

Condition

Our review of Louisiana Land Trust donated properties for completeness in recorded amounts, revealed an instance where the recorded cost on **NORA's** general ledger exceeded the documented appraised value.

During 2009 **NORA** acquired through acts of donation, capital assets totaling \$8,519,250 (after the effect of audit adjustments). Based on a confirmation received from the State of Louisiana, **NORA's** detail property records after review reflected 171 versus 172. An analysis of **NORA's** property detail records revealed duplicate property address and listed property not included on the State of Louisiana's property listing. As a part of our audit, we discussed with management its procedure for accounting for the completeness in the recorded amounts noting the lack of formalized written policies and procedures to ensure the complete and accurate accounting for all capital assets acquired and/or received via donation.

Recommendation

NORA should reevaluate its internal monitoring and supervisory oversight to ensure the completeness in all recorded transactions.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2010-03, 2010-07, 2009-02 and 2009-08

Recommendation, Continued

We recommended that management develop and implement a formalized policy and procedure to account for all capital assets acquired through acts of donation. The process should also include the periodic reconciliation to the State of Louisiana's property data base. Furthermore, a projection of the future cost to insure and maintain the properties should be part of NORA's planning process.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2010-04 and 2010-08

Condition

Currently, **NORA** does not have a centralized and complete listing of all inventory of real property for all real properties purchased using CDBG funding. Such a schedule should include at a minimum, physical address, the cost of acquisition, date of acquisition and funding source.

Further, **NORA's** executed CEA with the City requires at a minimum, semi-annual reconciliation of its physical inventory of unexpendable property acquired with City funds for submission to the City within ten days of such reconciliation. The agreement also requires that non-expendable property acquired vest in the City upon delivery. It is our understanding that a report was submitted to the City in September 2010.

Recommendation

We recommended that **NORA** prepare and update on a timely basis, a listing to include the physical address, cost and date of acquisition, funding source etc.

The listing should reconcile to **NORA's** general ledger after the effect of GASB 34 reporting requirements. Further, the necessary physical inventory periodic reporting of its non-expendable property should be undertaken pursuant to the CEA.

Current Status

Partially resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-09

Condition

Currently, NORA does not have an approved Indirect Cost Rate for its NSP2 grant.

Recommendation

NORA should develop the necessary proposal and related supporting documents for approval by HUD.

Current Status

Partially resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-10

Condition

Our review of selected construction contracts revealed the lack of compliance with the requirements of the Davis Bacon Act. Further, we noted no comprehensive system in place to ensure and effective and efficient monitoring of the Act for contracts executed with subrecipients.

Recommendation

Management should evaluate its current practice to ensure compliance with the requirements of the Davis Bacon Act.

Current Status

Partially resolved.

See current year's other matters report reference number OM-2011-02.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-11

Condition

The HUD Form 60002 (Section 3 Summary Report) provided by **NORA** for review in connection with our audit was incomplete in terms of construction costs incurred and other requested information (such as dollar award, code, contracts awarded, etc.) in other sections of the report.

Recommendation

We recommend that management evaluate its current practices to ensure timely and adequate coordination of information between the program and financial section to facilitate the submission of complete information.

Current Status

Unresolved. See current year's finding reference number 2011-03.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-12

Condition

Based on our testwork of twenty-nine (29) cash disbursements, we noted an instance where the charge for professional services involving research of Disadvantage Business Enterprise (DBE) for each of NORA's stream of funding was charged 100% to one program.

Recommendation

We recommend that management review its current shared cost allocation plan and processes to ensure its completeness.

Current Status

Partially resolved. See current year's finding reference number 2011-02.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-13

Condition

The report submitted under the requirements of Section 1512, AARA grant for the quarter ended September 30, 2010 (selected test month), did not agree to **NORA's** general ledger recorded amount for federal funds earned and disbursed for the reported period.

Recommendation

We recommend that management enhance its coordination and oversight processes to ensure completeness of all submitted reports.

Current Status

Unresolved. See current year's finding reference number 2011-04.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-14

***Condition**

During the year ended December 31, 2010, **NORA** requested and received \$40,384 in funds used in the acquisition of rights in several tax sale properties. The requisitioned funds at December 31, 2010, is drawn in contradiction to the immediate needs requirement of the CFR.

Recommendation

We recommend that management minimizes the drawdown of funds in advance of its immediate needs.

Current Status

Unresolved.

*Repeated

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-15

Condition

1. Based on our review of correspondence from the U.S. Department of Housing and Urban Development in response to audit report reference number 2010-A0-1005 and through discussions the management, we were unable to ascertain submission of the report as required under the criteria section of this finding referenced as item Number 1.
2. Based on our review of the award letter to St. Claude/St. Roch Revitalization, LLC, the award from **NORA** is dated May 17, 2010 and the promissory note is dated August 16, 2010. It is our understanding through discussion with management that **NORA** aggressively initiated work projects prior to anticipated approvals to facilitate deliverables.
3. For criteria Number 3, we were unable to evidence the submission of a memorandum to the City of New Orleans outlining how **NORA** intends to apply the findings of the study within sixty (60) days of completion of the study. It is our understanding through discussion with management, that **NORA** participated in meetings with the City/State regarding the study.
4. We were unable to verify whether **NORA** provided to the City within thirty (30) days of execution of the October 21, 2009 agreement, a copy as required by the performance standards of its policy for hiring commercial appraisers. It is our understanding through discussion with management that those policies preceded the execution of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Condition, Continued

5. Based on our review of a transmittal letter dated September 20, 2010, we noted non-compliance with the requirements of criteria Number 5. The transmittal letter provided for our review referenced an August 2010 monthly report verses a comprehensive listing of properties acquired and disposed of since execution of the original master CEA. It is our understanding through discussion with management that a comprehensive listing was provided to the City prior to the execution of the CEA.
6. We were not able to ascertain compliance with criteria Number 6 which required the provision of monthly detailed listing of all properties that are in the pipeline for quicktake expropriation, including their acquisition status, an accounting of all funds used for expropriation, as well as all proceeds from sales and transfers. It is our understanding through discussion with management that the report was submitted to the City prior to the execution of the CEA.
7. In reference to criteria Number 7, we were not able to determine whether the City was provided with a disposition plan for specific properties disposed of. It is our understanding that the City was provided with a Board approved plan for entitlement funded programs prior to the execution of a CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Condition, Continued

8. Based on our review of the transmittal letter dated September 20, 2010, we were unable to ascertain compliance with the referenced criteria Number 8. The transmittal letter provided for our review referenced the August 2010 monthly report verses a comprehensive listing of properties acquired and disposed of since execution of the original master CEA. It is our understanding through discussion with management that submission of the listing preceded the execution of the CEA.
9. We were unable to determine the submission date as dictated in criteria Number 9 as the document provided was not dated to evidence the date submitted to the City. It is our understanding through discussion with management that submission of the plan preceded the execution of the CEA.
10. We were unable to determine compliance with criteria Number 10 as no date was noted on the document provided to evidence transmission to the City. It is our understanding through discussion with management that submission of the plan preceded the execution of the CEA.
11. In reference to criteria Number 11, our review of the transmittal letter provided to us dated September 20, 2010 to evidence the transmission of the required monthly report for the month of August 2010 did not include a comprehensive inventory of all real properties acquired and disposed of within thirty (30) days of the expiration of the October 21, 2009 agreement. It is our understanding through discussion with management that a comprehensive listing was provided to the City prior to the expiration of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Condition, Continued

12. The transmittal letter provided to us dated September 20, 2010 in reference to criteria Number 12 referenced an August 2010 monthly report verses a comprehensive listing of properties acquired and disposed of since execution of the original master CEA. It is our understanding through discussion with management that submission of the listing preceded the execution of the CEA.
13. We were unable to determine compliance with the requirements of criteria Number 13, as the document provided was not dated to evidence the date submitted to the City. It is our understanding through discussion with management that submission of the plan preceded the execution of the CEA.
14. We were unable to determine compliance with the submission date requirements of criteria Number 14. No date was noted on the document provided for our review by **NORA**. Further, a request for documentation supporting the date of transmission to the City was not provided for our review. It is our understanding through discussion with management that the report was submitted to the City prior to the execution of the CEA.
15. In reference to criteria Number 15, the transmittal letter provided by **NORA**, did not include a comprehensive inventory of all real properties acquired and disposed of within thirty (30) days of the execution of the October 21, 2009 agreement. It is our understanding through discussion with management that submission of the listing preceded the execution of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2010-15

Recommendation

We recommended that the management revisit with its current program compliance monitoring and global reporting processes to ensure its completeness. Such a system should include the provision of an adequate audit trail at a minimum, to effectively support compliance and independent review.

Current Status

Resolved. Management has developed a reporting matrix for the executed CEA with the City of New Orleans for the grant period started on October 1, 2011.

Further, the City of New Orleans has incorporated in its executed CEA the status of all projects.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2010-16

Condition

NORA's current overall procurement processes do not completely address the verification requirement for compliance with 2CFR part 180.

Recommendation

We recommended that management establish a formal policy to ensure compliance with all applicable requirements of 2 CFR part 180.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2009-02 and 2009-08

Condition

During 2009 **NORA** acquired through acts of donation, capital assets totaling \$8,519,250 (after the effect of audit adjustments). Based on a confirmation received from the State of Louisiana, **NORA's** detail property records after review reflected 171 versus 172. An analysis of **NORA's** property detail records revealed duplicate property address and listed property not included on the State of Louisiana's property listing. As a part of our audit, we discussed with management its procedure for accounting for the completeness in the recorded amounts noting the lack of formalized written policies and procedures to ensure the complete and accurate accounting for all capital assets acquired and/or received via donation.

Recommendation

Further, we recommended that management develop and implement a formalized policy and procedure to account for all capital assets acquired through acts of donation. The process should also include the periodic reconciliation to the State of Louisiana's property data base. Furthermore, a projection of the future cost to insure and maintain the properties should be part of **NORA's** planning process.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers

2009-05 and 2008-06

***Condition**

Based on our review of the cumulative activities progress reports submitted pursuant to its agreement with the City of New Orleans for its Annual Grant, we noted the following:

- o **NORA** took possession of 265 of required 2,500 Louisiana Land Trust properties during 2009.
- o **NORA** did not specifically conduct meetings in planning districts; however, **NORA's** staff attended 334 meetings during 2009.
- o **NORA's** sold through our review of Lot Next Door Program, 99 of required 150 properties.
- o Based on our review of inspection reports performed by **NORA's** inspectors on September 30, 2009, April 5, and April 12, 2010, we noted selected property addresses that were not recorded on the respective inspector trip log.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2009-05 and 2008-06

Condition, Continued

- o We were unable to review documentation to support a judicial proceeding rescinding the sale of property not in compliance with the 270 days condition of sale.

However, we noted an e-mail communication from NORA's Compliance Manager to legal counsel regarding non-compliance on the buyer's part necessitating a rescission.

- o We were not provided with evidence to support NORA's compliance with its contract with the City of New Orleans regarding submission within thirty (30) days after the executed agreement, reports to indicate the status of all properties acquired with CDBG funds.
- o NORA expropriated 80 of the 250 required properties during 2008.
- o NORA's responsibility to improve enforcement of laws that pertain to the treatment of blighted and abandoned properties has not been fulfilled for 2008.
- o NORA inspected 91 of the 200 NORA sold properties during 2008; and
- o No properties were disposed during 2008 from the Louisiana Land Trust (LLT).

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2009-05 and 2008-06

Recommendation

Management should explore language revision in its future contracts to facilitate compliance with all requirements of its contract with the City of New Orleans.

Current Status

Unresolved.

*Repeated

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2009-06

Condition

During 2009 **NORA** executed Cooperative Endeavor Agreements (CEA) for the use of Community Development Block Grant funds in various blight acquisition, land assembly, redevelopment and management activities.

The CEA's required specific deliverables and timelines upon execution of the agreements and throughout the term of the agreements.

Based on our discussions with management and review of status reports prepared by **NORA** to include other documents provided to us, we noted the following:

- Various e-mail memoranda and communications directing changes in the scope and funding allocation and/or reallocation of the referenced agreements;
- Evidence of periodic meetings with designated personnel of the City of New Orleans and State, as applicable; and

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2009-06

Condition, Continued

- Noted based our review of the October 21, 2009, CEA, language in the agreement relative to the status of projects and criteria for acceptable performance compliance.

Because of the level of coordination required at the City, State and Federal levels to accomplish certain goals within the agreements, **NORA** should re-evaluate its current process and monitoring system in an effort to ensure that all aspects of its compliance with the agreements are adequately documented to include a process for all revisions to contracted scopes and deliverables to ensure an effective and efficient audit trail. Such a system should also aid in an efficient and effective close-out audit.

Recommendation

Management should revisit with its current processes and monitoring system to assess its effectiveness in capturing and managing all program activities on a timely basis.

Current Status

Partially resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2007-02

Condition

During the year ended December 31, 2007, we noted no evidence to support compliance with the technical assistance workshop attendance component of **NORA's** contract with the City of New Orleans.

It is our understanding through discussion with management of **NORA** that the noncompliance was due to the unavailability of technical workshops during 2007.

Recommendation

Continued compliance with all requirements of its contract with the City of New Orleans.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

98-3 and 97-1

Condition

NORA currently maintains a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because **NORA** is on a cost reimbursement basis with its only funding source, a significant amount of transactions undertaken by **NORA** results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis nor are interfund activities reconciled on a monthly basis.

Recommendation

Management should continue to explore additional sources of funding to minimize the need for interfund activities.

Current Status

Partially resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section V - Status of Other Findings/Reviews

During the year ended December 31, 2008, **NORA's** records were subject to agreed-upon procedures. The following is the current status of those open findings as of June 8, 2011:

(2008-12-02, 2008-09-02, 2008-06-02 and 2008-03-02)

Finding

For twelve (12) selected cash receipts deposited into **NORA's** designated program bank accounts, we noted agreement between the source documents and the general ledger without exception.

Noted the timely deposit of funds received via comparison of the date evidenced on the validated deposit coupon to the bank statement without exception.

We reviewed four (4) manual cash receipts issued during the month of November 2008, noting inclusion of selected receipts in the population of manual cash receipts issued for the month of November 2008. In addition, we noted the deposit of funds collected in the respective bank accounts. We were unable to determine based on information provided, evidence of supervisory review and/or approval beyond the level of the preparer and executioner for six (6) intra-bank transfer transactions reviewed. However, it is our understanding that **NORA** has revised its procedures to provide for the necessary trail of supervisory review and approval for all intra-bank transfers.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section V - Status of Other Findings/Reviews, Continued

(2008-12-02, 2008-09-02, 2008-06-02 and 2008-03-02)

Finding, Continued

For twenty-five (25) transactions randomly selected and reviewed for completeness, we noted four (4) instances where procurement documents were not available for our review to support the basis and type of procurement method utilized. It is our understanding through discussion with management that **NORA** uses the City of New Orleans' vendor listing in the procurement of selected materials and supplies. Furthermore, we noted the absence of a cooperative agreement or any other documentation with the City of New Orleans to support the method and basis for procurement.

For journal entries prepared and posted for the months of October through December 2008, we noted no evidence of supervisory review and/or approval prior to input into the general ledger. However, we noted supervisory approval subsequent to the posting of the journal entries based on our review of attached supporting documents.

Noted no evidence to support the timely and periodic review of the adequacy and continuous collateralization of funds held by **NORA's** bankers in excess of the Federal Deposit Insurance Corporation's limit.

Certain significant subsidiary general ledger accounts such as payroll, prepaid acquisition, acquisition payable, land inventory, etc., were not reconciled or properly reconciled to their respective general ledger control accounts and differences, if any, resolved. Also, noted that certain capital assets purchased during 2008 in connection with **NORA's** land acquisition contract with the City, were not properly capitalized at December 31, 2008.

Management was unable to provide us with a policy to evidence procurement of bonding coverage.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section V - Status of Other Findings/Reviews, Continued

(2008-12-02, 2008-09-02, 2008-06-02 and 2008-03-02)

Finding, Continued

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings

The Department of Housing and Urban Development's Office of Inspector General on April 8, 2011, issued its report (2011-A0-1004) resulting from an audit of the Neighborhood Stabilization Program 2 awarded to **NORA**.

Reference Number

HUD 2010-17

Condition

"The Authority did not always use its NSP2 funds in accordance with Federal regulations. Specifically, **NORA** did not always (1) comply with NSP2 regulations and/or its written policies and procedures under its NSP2 ongoing activities, (2) comply with procurement regulations when obligating NSP2 funds, (3) provide its NSP2 quarterly performance reports to HUD with accurate information, or (4) ensure that its NSP2 expenditures were eligible and supported for 16 of 21 NSP2 expenditures. These conditions occurred because the Authority (1) did not have adequate controls and/or policies and procedures to effectively administer its NSP2 funds, (2) did not follow its own policies and procedures, and (3) was not always aware of its responsibilities as a HUD grantee under NSP2. As a result, it could not provide reasonable assurance that it had adequately fulfilled the requirements of its agreement with HUD, with respect to its ongoing activities and reports to HUD, and the Authority and one of its consortium members improperly procured eight contracts. In addition, the Authority expended \$178,148 in questioned costs. Further, given the nature of the deficiencies identified, at least \$8,101,539 of the remaining funds is at risk of being misspent."

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings, Continued

Recommendation

“We recommend that HUD’s Director of Community Planning and Development require the Authority to—

- 1A. Establish policies and procedures regarding environmental reviews to include a timeline for receiving/issuing exemption certifications. In addition, the Authority should be required to provide a certification to the HUD Office of Community Planning and Development that the Authority has established such policies and procedures to prevent the recurrence of environmental review and request for release of funds violations.
- 1B. Establish an internal audit function, within sixty (60) days of the report issuance date, including hiring staff and developing written internal audit policies and procedures.
- 1C. Revise its monitoring policies and applicable monitoring checklists to ensure that it adequately assesses compliance with Federal requirements and performance goals during consortium member on site monitoring visits.
- 1D. Revise its appraisal policies to develop and implement procedures, such as a compliance checklist, for the review of appraisal reports to adequately ensure that (1) its policies and procedures are followed and (2) the terms of its agreements and applicable appraisal requirements are met.
- 1E. Obtain another contractor for its commercial appraisal services. Specifically, **NORA** must (1) terminate its contract with Thorns Consulting, LLC (2) re-advertise the request for qualifications for commercial appraisal services to obtain a larger pool of candidates, and (3) ensure that it selects a responsible and knowledgeable contractor.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings, Continued

Recommendation, Continued

- 1F. Implement an internal system of controls, within sixty (60) days of the report issuance date, to adequately track and update NSP2 budgeted and expended costs to ensure that funds are accurately accounted for and tracked. This requirement includes an automated accounting system that can produce financial reports needed for the development of certain financial statements and audit purposes.
- 1G. Revise its cost allocation plan, within sixty (60) days of the report issuance date, and submit the revised plan to HUD for review and approval. The revised cost allocation plan should include additional information/documentation, but is not limited to—
- A brief description of programs and funding sources, including amounts;
 - A list of expenses associated with costs for each program and funding source;
 - A clear identification of the method used to distribute the costs to each program and/or funding source;
 - A schedule showing the allocation of each program and funding source; and
 - Documentation such as (1) an organization chart which is sufficiently detailed to show operations and (2) a certification that the plan was prepared in accordance with OMB Circular A-87, contains only allowable costs, and was prepared in a manner that treats similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings, Continued

Recommendation, Continued

- 1H. Revise its procurement policies to implement procedures to ensure that it complies with all relevant procurement rules and regulations. The revisions should include but not be limited to establishing policies and procedures to (1) monitor and track contract performance progress and payments; (2) add procedures regarding additional types of procurement other than those for professional services; (3) describe processes for other procurement methods (i.e. sealed bids and noncompetitive); (4) verify contractor responsibility; and (5) initiate, execute, and approve change orders or contract modifications.
- 1I. Require all of its consortium members to comply with the appropriate procurement regulations (i.e. 24 CFR Part 841, re-assess the adequacy of the consortium members' procurement policies, and maintain sufficient procurement records or evidence to support that it reviewed the procurement documents/practices of its consortium members.
- 1J. Establish and implement procedures to ensure that NSP2 quarterly performance reports are reported to HUD with accurate information.
- 1K. Repay to the U.S. Treasury using non-Federal funds the \$40,385 in unallowable costs paid to purchase properties before the approval of the request for release funds.
- 1L. Repay to the U.S. Treasury using non-Federal funds the \$53,039 in unallowable costs disbursed to the for-profit consortium partner before the firm commitment date.
- 1M. Repay to the U.S. Treasury using non-Federal funds \$352 in ineligible costs paid to the Trumpet Group, LLC.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings, Continued

Recommendation, Continued

- 1N. Support the cost reasonableness of Environ, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$344 in unsupported costs identified due to the lack of invoice documentation.
- Should the Authority support the cost reasonableness of this contract, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$344 in unsupported costs identified due to the lack of invoice documentation.
- 1O. Support the cost reasonableness of the Trumpet Group, LLC contract or repay any amounts it cannot support to the U.S. Treasury from on-Federal funds the \$39,648 disbursed during the scope of our review. In addition—
- Should the Authority support the cost reasonableness of this contract, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$35,997 in unsupported costs identified due to the lack of invoice documentation.
- 1P. Support the cost reasonableness of the Terry Phillis consultant contract or repay any amounts that it cannot support to the U.S. Treasury from non-Federal funds the \$4,957 disbursed during the scope of our review.
- 1Q. Support the cost reasonableness of the Thorns Consulting, LLC contract or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds the \$3,500 disbursed for the appraisal report provided during the scope of our review.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings, Continued

Recommendation, Continued

- 1R. Support the cost reasonableness of the Henry Consulting LLC, Community Central, Krebs Lemieux LaSalle LLC, and Bayou Title contracts or terminate those contracts and conduct new procurements for the services in compliance with HUD procurement regulations and the Authority's own procurement policies.
- 1S. Support or repay any amounts that it cannot support to the U.S. Treasury using non-Federal funds the \$133 in unsupported costs paid for the Authority's personnel costs.
- 1T. Revise its written finance policies. In addition, the Authority should be required to implement financial controls to ensure proper routing and approval of expenditures, that personnel expenditure procedures are established, and that adequate segregation of duties exists.

Current Status

- 1A. Resolved. **NORA** has maintained environmental policies and procedures and has provided to the Consortium Partners a "General Administration Manual" (GAM). Exhibit "A" includes several sections of the "GAM" that describes different phases when environmental requirements must be addressed. Subsequent to the OIG review, **NORA** drafted written NSP2 policies and procedures which describes the internal operational procedures to initiate and receive environmental records. Exhibit "B", **NORA NSP2 Procedures** includes a section about the Environmental Review Protocol.
- 1B. Resolved. On April 18, 2011, **NORA's** Internal Auditor commenced work
- 1C. Resolved. **NORA** is working with a HUD TA provider, Enterprise Community Partners, to update **NORA's** monitoring plan and checklist, as needed.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Section VI - Other Findings, Continued

Current Status, Continued

1D. Resolved.
1E. Resolved.
1F. Resolved.
1G. Partially resolved.
1H. Resolved.
1I. Resolved.
1J. Resolved.
1K. Unresolved.
1L. Resolved.
1M. Resolved.
1N. Unresolved.
1O. Unresolved.
1P. Unresolved.
1Q. Resolved.
1R. Resolved.
1S. Resolved.
1T. Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY

EXIT CONFERENCE

An exit conference was held with representatives of **NORA**. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance and/or participated in various discussions:

NEW ORLEANS REDEVELOPMENT AUTHORITY

Ellen M. Lee	-- Finance Committee Chair
James M. Singleton	-- Board Chair
Jeffrey Hebert	-- Executive Director
Brenda Breaux	-- Chief Operating Officer
Keshia Lymel, MBA	-- Controller
Ivionne Divinity	-- Senior Accountant
Renee Johnson	-- Internal Auditor

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CPA, MBA, CGFM	-- Partner
------------------------------------	------------



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

Mr. Jeffrey Hebert, Executive Director
New Orleans Redevelopment Authority
New Orleans, Louisiana

Management of **New Orleans Redevelopment Authority (NORA)** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of **NORA** as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered **NORA's** internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **NORA's** internal control. Accordingly, we do not express an opinion on the effectiveness of **NORA's** internal control.

As a part of our audit, we noted certain other matters that are opportunities for strengthening internal control and operating efficiency. Also, we reviewed with management, the status of prior year's other matters. We previously reported on **NORA's** internal control in our report dated June 28, 2012. This letter does not affect our report dated June 28, 2012 on the financial statements or internal controls of **NORA**.

We will review the status of these other matters during our next audit engagement. We have already discussed these other matters with **NORA's** management, and will be pleased to discuss these matters in further detail at your convenience.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters
2011

Our discussion of current year's other matters follows:

Reference Number

OM 2011-01

Condition

NORA continues to be impacted with disallowed costs involving its contract with the City of New Orleans.

Recommendation

Management should revisit with its current cost allocation process involving its programs and plan to minimize, if not eliminate, the potential for disallowed costs.

Management's Response and Planned Corrective Action

Management will schedule a technical assistance training with the City of New Orleans in an effort to eliminate or reduce the potential for disallowed costs.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters, Continued
2011

Reference Number

OM 2011-02

Condition

Currently, NORA has individuals assigned to monitor compliance with the Davis Bacon Act and procurement on various projects. We noted through discussions that all non-compliance issues arising from the monitoring of each project are documented with a copy to the respective vendors. However, we noted no documented global reporting for all eligible projects to facilitate management's effective and efficient oversight on an on-going basis for all projects/contracts.

Further, based on our review of payroll records for ten (10) sub-contractors, we noted where in three (3) instances the associated social security amount and in one (1) instance the associated fringe benefit amount for payroll were not computed correctly by the sub-contractor.

We were unable to determine resolution because of the nature of recordkeeping.

Recommendation

We recommend that management revisit with its current practice with an aim towards the implementation of a global reporting matrix. Further, in the development of a system, management should consider an "upload" of all payroll and procurement documents by the respective vendors for NORA's review, analysis and to facilitate follow-up efforts on exceptions noted. Also, this process should ensure that all payments to vendors are in full compliance with the Act.

Management's Response and Planned Corrective Action

Management will review its current reporting practice and implement change as necessary

to ensure effective and efficient oversight on a continuous basis for all projects/contracts.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters, Continued
2011

Reference Number

OM 2011-03

Condition

Our testwork performed on executed transactions involving REALM properties for the year ended December 31, 2011, revealed instances where real estate sales were not properly accounted for to ensure the completeness in recorded amounts in NORA's general ledger and to the respective program without the benefit of audit and client adjustments. Property transactions were misclassified between land bank and CDBG funded activities.

Recommendation

All real estate transactions should be adequately reviewed to ensure the completeness of information from all departments. Such a process should facilitate the propriety in recorded amounts particularly in instances where the transactions involves program income.

Management's Response and Planned Corrective Action

Management will undertake a review of all recorded real property transactions. The goal will be to ensure the complete categorization between land bank and CDBG related activities.

Anticipated resolution date is November 30, 2012.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters, Continued
2011

Reference Number

OM 2011-04

Condition

Our review of eighteen (18) cash receipt transactions revealed in one (1) instance where the amount of an interbank transfer initiated and executed by the same individual did not agree to the supporting documents provided to us. The transfer was for \$5,767.62 compared to the supporting documented amount of \$4,847.62.

Recommended

All interbank transfers should be supported with complete documents. Further, internal controls should be enhanced to segregate the initiation and execution process.

Management's Response and Planned Corrective Action

Management has put measurements in place to ensure that every bank transfer has the correct backup before a transfer is made. Also, our banking institution has put measures in place that requires a person to initiate a transfer and for another person to approve. This new measure will become mandatory on December 31, 2012.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters, Continued
2011

Reference Number

OM 2011-05

Condition

For the year ended December 31, 2011, the General Fund absorbed disallowed costs for the 2009 and 2010 fiscal years totaling approximately \$60,000 for the Annual and Target Zone Programs; cost for title and surveys of approximately \$26,000 and \$41,267 in cost incurred for the Neighborhood Initiative Program.

In addition, the timing in reimbursement from its grantors (City and State) resulted in interest and fees totaling \$217,000 on borrowed funds needed to fund operations.

The cumulative effect of the referenced transactions from prior years to the current year was a fund deficit of \$44,913 at December 31, 2011.

Recommendation

Management should continue to revisit with its planned activities and operations with an enhanced focus in the areas of disallowed costs, renegotiating the timing of its reimbursements for cost incurred for managed programs, and enhance the level of funding from unrestricted sources.

Management's Response and Planned Corrective Action

Management takes seriously its responsibility to fund authority operations and programs and has developed a multi-step approach to eliminating the fund deficit at December, 2011. NORA expects to sell assets with a value exceeding \$300K, that have no program income restrictions; collect \$200K on loans made from its unrestricted funds; and has submitted a request for waiver of the \$217K in interest and fees on borrowed funds. Management will also continue to explore opportunities to enhance the level of funding from unrestricted sources.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters
2010 and Prior

Our discussion of prior year's other matters follows:

Reference Numbers

OM 2010-01 and 2009-02

Condition

NORA for the year ended December 31, 2010 had disallowed and questioned costs respectively totaling approximately \$230,000 for the its CDBG Annual and Target Zone programs and \$180,000 for the Neighborhood Stabilization Program 2 (NSP2).

Currently, all disallowed costs are under review and discussion with **NORA's** funding source for the NSP2 grant award.

The disallowed costs are being absorbed in the current year by **NORA's** unrestricted funds.

For 2009, disallowed cost was \$124,694 coupled with other losses absorbed of \$223,597.

Recommendation

Management should evaluate the causes for the level of questioned and disallowed costs and plan to minimize, if not eliminate, the potential for disallowed and/or questioned costs.

Current Status

Unresolved. See current year's other matters report reference number OM 2011-01.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number

OM 2010-02

Condition

NORA and its related entity New Orleans Redevelopment Unlimited do not have a formalized policy regarding the donation of real properties acquired with Federal funds.

Recommendation

NORA should formalize via Board action a written real property donation policy specifically, for real properties acquired with Federal funds.

Such a policy should address issues such as reversion of assets and the use of CBDG funds to meet the national objectives pursuant to section 507.208, as applicable. Further the policy should address donation to both related and unrelated parties of real properties from both federal and other funding sources.

Current Status

Unresolved.

NORA's donation of properties is consistent with the Constitution of Louisiana, Article VII, Part 1, §14. Management will develop a comprehensive policy that addresses the transfer of real properties acquired from both federal and other funding sources to both related and unrelated parties by December 2012. Upon completion, the policy will be submitted for Board approval.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters
2010 and Prior

Reference Number

OM 2009-01

Condition

Our review of **NORA's** internal control over financial reporting revealed the following conditions:

- o For two (2) of fifteen (15) bank accounts (Revolving Fund and NORU) reviewed, we noted that the beginning and ending cash balances did not agree to the amount reflected in the general ledger provided to us. For one (1) (Blight) the beginning balance did not agree to the amount reflected on the general ledger for December 31, 2009.
- o We noted several staled dated checks with dates in excess of **NORA's** void policy of one hundred and eighty days.
- o The workmans' compensation insurance coverage maintained by **NORA** did not include the City of New Orleans as co-insured in accordance with its agreement with **NORA**.
- o Journal entries prepared and posted for the month of July 2009 (month judgementally selected for testing) lacked evidence to support the performance of supervisory review and/or approval prior to input into **NORA's** general ledger. It is our understanding through discussion that the journal entries other than correcting entries have been subjected to **NORA's** disbursement and approval process; and

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2009 and Prior

Reference Number, Continued

OM 2009-01

Condition, Continued

- o While **NORA** continues to enhance its policies and procedures the current accounting policies and procedural manual used by **NORA** does not reflect all current practices or the need for revised policies in areas such as capital asset activities, investment, financial reporting, account analysis, financial transactions recordation and treatment in accordance with applicable accounting standards and principles, etc.
- o One (1) of thirteen (13) deposit transactions selected and reviewed lacked supporting documentation in the form of a validated deposit ticket. However, we reviewed the applicable bank statement noting deposit of amount;
- o The current accounting policies and procedural manual used by **NORA** does not reflect all current practices and/or revised policies such as financial reporting, account analysis, financial transactions recordation and treatment in accordance with applicable accounting standards and principles, etc;
- o In three (3) of twenty-six (26) cash disbursements vouched, we noted where the check dates were prior to the check request and approval date;
- o In three (3) of twenty-six (26) cash disbursements selected and reviewed, **NORA** was unable to locate the supporting documents for expenses incurred;
- o In two (2) of the four (4) employees selected and reviewed, we noted the absence of payroll and benefit deduction authorizations;

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number, Continued

OM 2009-01

Condition, Continued

- o In all four (4) personnel files reviewed, we noted that the timesheets for the pay period reviewed lacked evidence of supervisory review and approval; and
- o In one instance, we noted that an employee's gross payroll was miscalculated because of the use of an incorrect hourly rate. The miscalculation resulted in an overpayment to the employee in the amount of \$61.54 for the selected payroll.
- o No performance of verification of mathematical accuracy of paid invoices in seven (7) of twenty (22) transactions tested;
- o Two (2) of twenty-two (22) transactions reviewed, did not agree to the supporting documents as a result of handwritten changes; and

Recommendation

Management should continue to provide the necessary level of supervisory oversight to minimize, if not eliminate the referenced conditions.

Further, we recommend that all journal entries prepared should be reviewed and approved at a level above the preparer prior to input.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number, Continued

OM 2009-01

Recommendation, Continued

The current accounting policies and procedural manual should be updated to accommodate current practices and/or policies to include financial reporting, account analysis, etc. Finally, all required personnel documents authorizing compensation benefits by management and deductions authorized by respective employees should be filed in the respective personnel file.

Finally, management should re-evaluate the current payroll processing system in place to ensure its full integrity.

Current Status

Partially resolved.

Management has updated the worker's compensation insurance coverage to reflect the City of New Orleans as co-insured.

Management introduced a time and labor system through Paychex, where all time and payroll processes are efficiently managed.

Management will continue to evaluate its current procedures to ensure compliance with established policies and procedures.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number
OM 2009-03

Condition

NORA uses various software systems through the City of New Orleans' computer server to accumulate accounting and program information on a regular basis. However, we noted no formal written plan in place to augment the City of New Orleans' System that provides for the offsite storage of all pertinent accounting, and program data.

Furthermore, we noted no established formal procedure in place to ensure a periodic review of the adequacy of insurance coverage for NORA based on its risk assessment.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- o Definition of threats and risks (including likely effects on NORA).
- o Operating security.
- o Processing priorities.
- o Disaster recovery planning (as appropriate).
- o Insurance coverage available or desirable.

Current Status

Partially resolved.

NORA's financial data was removed from the City of New Orleans shared server in 2010. NORA's financial system is backed-up on a timely basis.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number

OM 2008-01

Condition*

Our review of NORA's current year's financial operations for the year ended December 31, 2008, reflects a budget overrun in its unrestricted fund.

Recommendation

We recommend that NORA's monthly reporting processes include a review of its budgeted to actual and/or projected budgeted to actual costs in order to minimize unfavorable budget variances.

Current Status

Unresolved.

Management is currently securing a new financial system (ERP) for the agency, which will aid in the monitoring of the budget.

*Repeat

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number

OM 2008-02

Condition*

The accompanying financial statements include amounts totaling \$172,235 previously classified as interfund activities.

While the amounts have account descriptions other than "due to", the classification over several years resulted in an interfund out of balance condition.

Recommendation

Management should review all amounts receivables and payables currently recorded on NORA's general ledger to ascertain the collectibility of the receivables and/or validity of the payables. Furthermore, the review should ensure the completeness in the classification of all interfund activity.

Current Status

Unresolved.

*Repeat

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number

OM 2007-01

Condition

No monthly reconciliation was performed on certain significant general ledger accounts such as prepaid acquisition, unimproved land inventory, interfund activity, etc. Also, no reconciliation was performed between the cash receipts log maintained in the Program department to the bank reconciliation, revenue subledger and general ledger control account. It is our understanding that a new accountant was hired in November 2007, to replace the previous fee accountant.

Recommendation

All significant general ledger accounts to include the cash receipts logs should be reconciled on a monthly basis.

Current Status

Resolved.

Reconciliations have been implemented and are currently being done on a monthly basis. The reconciliation processes are manually done but will eventually be maintained in the new financial system NORA will be purchasing in 2012.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number

OM 2007-02

***Condition**

No established policy and/or procedure regarding compliance with the State of Louisiana's escheat law.

Recommendation

We recommend the development and implementation of a policy to address the requirements of the escheat law of the State of Louisiana.

Current Status

Unresolved.

Management will immediately implement a procedure to perform periodic reviews of the current year's outstanding checks on a regular basis. Management will also develop and implement a policy which addresses the review of all outstanding checks to determine the appropriate action which must be taken regarding compliance with the laws of the State of Louisiana, and any other appropriate regulatory entities.

*Repeat

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2010 and Prior

Reference Number

OM 2007-03

Condition

NORA does not have a formal written policy to address its custodial credit risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit now \$250,000). However, NORA maintains a collateral agreement with its banker and reviews its adequacy on a periodic basis.

Recommendation

We recommend the establishment of a deposit policy to address all deposits of funds with NORA's banker for funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Also, the periodic review of the adequacy of collateral maintained should be evidence by the reviewers initial.

Current Status

Partially resolved.

The current FDIC limit is \$250,000. NORA's bank accounts in excess of \$250,000, collateral reports are received on a monthly basis by the Director of Finance.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

*Status of Prior Year's Other Matters, Continued
2010 and Prior*

Reference Number

OM 2007-04

Condition

The prepaid acquisition cost subsidiary ledger prepared to support the general ledger amount of \$167,511.47 (detail of all property acquisition deposits by prospective buyers), reflects individual buyer balances contrary to the account's normal balance.

Recommendation

All individual buyer balances for closed cases should be reviewed and the necessary corrections made to the schedule to include collection from buyers and/or refund to buyers, as applicable.

Current Status

Resolved.

All funds in this account as been accounted for and updated.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

*Status of Prior Year's Other Matters, Continued
2010 and Prior*

Reference Number

OM 2007-05

Condition*

NORA has for several years through its current period maintained a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only major funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis.

Recommendation

We recommend that management continue the review and netting of interfund activities' process to the extent that it is practical to minimize the work effort related to the number of interprogram and intergovernment balances on NORA's general ledger.

Current Status

Unresolved.

Many of the above balances have existed for years and should be written down. Before NORA migrates to a new system the underlying interfund account activity will be analyzed for the proper treatment.

*Repeat

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

NORA's response to the other matters identified in our audit is described in the accompanying report under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". We did not audit NORA's response and, accordingly, we express no opinion on it.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of Board of Commissioners, management, the City of New Orleans, Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised State 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 28, 2012